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1 TITLE I—PROVISIONS AFFECTING THE 2 FINANCING OF THE SOCIAL SECURITY SYSTEM 3 PART A—COVERAGE

4 COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES

5 SEC. 101. (a)(1) Section 210(a) of the Social Security
6 Act is amended by striking out paragraphs (5) and (6) and
7 inserting in lieu thereof the following:

8 “(5) Service performed in the employ of the
9 United States or any instrumentality of the United
10 States, if such service—

1 “(A) would be excluded from the term ‘em-
2 ployment’ for purposes of this title if the provi-
3 sions of paragraphs (5) and (6) of this subsection
4 as in effect in January 1983 had remained in
5 effect, and

6 “(B) is performed by an individual who (i)
7 has been continuously in the employ of the United
8 States or an instrumentality thereof since Decem-
9 ber 31, 1983 (and for this purpose an individual
10 who returns to the performance of such service
11 after being separated therefrom following a previ-
12 ous period of such service shall nevertheless be
13 considered upon such return as having been con-
14 tinuously in the employ of the United States or an
15 instrumentality thereof, regardless of whether the
16 period of such separation began before or after
17 December 31, 1983, if the period of such separa-
18 tion does not exceed 365 consecutive days), or (ii)
19 is receiving an annuity from the Civil Service Re-
20 tirement and Disability Fund, or benefits (for
21 service as an employee) under another retirement
22 system established by a law of the United States
23 for employees of the Federal Government or
24 members of the uniformed services;

1 except that this paragraph shall not apply with respect
2 to—

3 “(i) service performed as the President or
4 Vice President of the United States,

5 “(ii) service performed—

6 “(I) in a position placed in the Execu-
7 tive Schedule under sections 5312 through
8 5317 of title 5, United States Code,

9 “(II) as a noncareer appointee in the
10 Senior Executive Service or a noncareer
11 member of the Senior Foreign Service, or

12 “(III) in a position to which the individ-
13 ual is appointed by the President (or his des-
14 ignee) or the Vice President under section
15 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of
16 title 3, United States Code, if the maximum
17 rate of basic pay for such position is at or
18 above the rate for level V of the Executive
19 Schedule,

20 “(iii) service performed as the Chief Justice
21 of the United States, an Associate Justice of the
22 Supreme Court, a judge of a United States Dis-
23 trict Court (including the district court of a terri-
24 tory), a judge of the United States Claims Court,
25 a judge of the United States Court of Internation-

1 al Trade, a judge of the United States Tax Court,
2 a United States magistrate, or a referee in bank-
3 ruptcy or United States bankruptcy judge,

4 “(iv) service performed as a Member, Dele-
5 gate, or Resident Commissioner of or to the Con-
6 gress, or

7 “(v) any other service in the legislative
8 branch of the Federal Government if such service
9 is performed by an individual who, on December
10 31, 1983, is not subject to subchapter III of
11 chapter 83 of title 5, United States Code;

12 “(6) Service performed in the employ of the
13 United States or any instrumentality of the United
14 States if such service is performed—

15 “(A) in a penal institution of the United
16 States by an inmate thereof;

17 “(B) by any individual as an employee in-
18 cluded under section 5351(2) of title 5, United
19 States Code (relating to certain interns, student
20 nurses, and other student employees of hospitals
21 of the Federal Government), other than as a
22 medical or dental intern or a medical or dental
23 resident in training; or

1 “(C) by any individual as an employee serv-
2 ing on a temporary basis in case of fire, storm,
3 earthquake, flood, or other similar emergency;”.

4 (2) Section 210(p) of such Act is amended by striking
5 out “provisions of—” and all that follows and inserting in
6 lieu thereof “provisions of subsection (a)(5).”.

7 (b)(1) Section 3121(b) of the Internal Revenue Code of
8 1954 is amended by striking out paragraphs (5) and (6) and
9 inserting in lieu thereof the following:

10 “(5) service performed in the employ of the
11 United States or any instrumentality of the United
12 States, if such service—

13 “(A) would be excluded from the term ‘em-
14 ployment’ for purposes of this title if the provi-
15 sions of paragraphs (5) and (6) of this subsection
16 as in effect in January 1983 had remained in
17 effect, and

18 “(B) is performed by an individual who (i)
19 has been continuously in the employ of the United
20 States or an instrumentality thereof since Decem-
21 ber 31, 1983 (and for this purpose an individual
22 who returns to the performance of such service
23 after being separated therefrom following a previ-
24 ous period of such service shall nevertheless be
25 considered upon such return as having been con-

tinuously in the employ of the United States or an instrumentality thereof, regardless of whether the period of such separation began before or after December 31, 1983, if the period of such separation does not exceed 365 consecutive days), or (ii) is receiving an annuity from the Civil Service Retirement and Disability Fund, or benefits (for service as an employee) under another retirement system established by law of the United States for employees of the Federal Government or members of the uniformed services;

except that this paragraph shall not apply with respect to—

“(i) service performed as the President or Vice President of the United States,

(ii) service performed—

“(I) in a position placed in the Executive Schedule under Sections 5312 through 5317 of title 5, United States Code,

“(II) as a noncareer appointee in the Senior Executive Service or a noncareer member of the Senior Foreign Service, or

“(III) in a position to which the individual is appointed by the President (or his designee) or the Vice President under section

1 105(a)(1), 106(a)(1), or 107 (a)(1) or (b)(1) of
2 title 3, United States Code, if the maximum
3 rate of basic pay for such position is at or
4 above the rate for level V of the Executive
5 Schedule,

6 “(iii) service performed as the Chief Justice
7 of the United States, an Associate Justice of the
8 Supreme Court, a judge of a United States court
9 of appeals, a judge of a United States district
10 court (including the district court of a territory), a
11 judge of the United States Claims Court, a judge
12 of the United States Court of International Trade,
13 a judge of the United States Tax Court, a United
14 States magistrate, or a referee in bankruptcy or
15 United States bankruptcy judge,

16 “(iv) service performed as a Member, Dele-
17 gate, or Resident Commissioner of or to the Con-
18 gress, or

19 “(v) any other service in the legislative
20 branch of the Federal Government if such service
21 is performed by an individual who, on December
22 31, 1983, is not subject to subchapter III of
23 chapter 83 of title 5, United States Code;

1 “(6) service performed in the employ of the
2 United States or any instrumentality of the United
3 States if such service is performed—

4 “(A) in a penal institution of the United
5 States by an inmate thereof;

6 “(B) by any individual as an employee in-
7 cluded under section 5351(2) of title 5, United
8 States Code (relating to certain interns, student
9 nurses, and other student employees of hospitals
10 of the Federal Government), other than as a
11 medical or dental intern or a medical or dental
12 resident in training; or

13 “(C) by any individual as an employee serv-
14 ing on a temporary basis in case of fire, storm,
15 earthquake, flood, or other similar emergency;”.

16 (2) Section 3121(u)(1) of such Code is amended to read
17 as follows:

18 “(1) IN GENERAL.—For purposes of the taxes im-
19 posed by sections 3101(b) and 3111(b), subsection (b)
20 shall be applied without regard to paragraph (5) there-
21 of.”.

22 (c)(1) Section 209 of the Social Security Act is amended
23 by adding at the end thereof the following new paragraph:

24 “For purposes of this title, in the case of an individual
25 performing service under the provisions of section 294 of title

1 28, United States Code (relating to assignment of retired jus-
2 tices and judges to active duty), the term 'wages' shall, sub-
3 ject to the provisions of subsection (a) of this section, include
4 any payment under section 371(b) of such title 28 which is
5 received during the period of such service.'".

6 (2) Section 3121(i) of the Internal Revenue Code of
7 1954 (relating to computation of wages in certain cases) is
8 amended by adding at the end thereof the following new
9 paragraph:

10 "(5) SERVICE PERFORMED BY CERTAIN RETIRED
11 JUSTICES AND JUDGES.—For purposes of this chapter,
12 in the case of an individual performing service under
13 the provisions of section 294 of title 28, United States
14 Code (relating to assignment of retired justices and
15 judges to active duty), the term 'wages' shall, subject
16 to the provisions of subsection (a)(1) of this section, in-
17 clude any payment under section 371(b) of such title
18 28 which is received during the period of such serv-
19 ice.'".

20 (d) The amendments made by this section shall be effec-
21 tive with respect to remuneration paid after December 31,
22 1983.

1 COVERAGE OF EMPLOYEES OF NONPROFIT

2 ORGANIZATIONS

3 SEC. 102. (a) Section 210(a)(8) of the Social Security
4 Act is amended—

5 (1) by striking out “(A)” immediately after “(8)”;

6 (2) by striking out “subparagraph” where it first
7 appears and inserting in lieu thereof “paragraph”; and

8 (3) by striking out subparagraph (B).

9 (b)(1) Section 3121(b)(8) of the Internal Revenue Code
10 of 1954 is amended—

11 (A) by striking out “(A)” immediately after “(8)”;

12 (B) by striking out “subparagraph” where it first
13 appears and inserting in lieu thereof “paragraph”; and

14 (C) by striking out subparagraph (B).

15 (2) Section 3121(k) of such Code is repealed.

16 (3) Section 3121(r) of such Code is amended—

17 (A) by striking out “subsection (b)(8)(A)” and
18 “section 210(a)(8)(A)” in paragraph (3) and inserting in
19 lieu thereof “subsection (b)(8)” and “section 210(a)(8)”,
20 respectively; and

21 (B) by striking out paragraph (4).

22 (c) The amendments made by the preceding provisions
23 of this section shall be effective with respect to service per-
24 formed after December 31, 1983 (but the provisions of sec-
25 tions 2 and 3 of Public Law 94-563 and section 312(c) of

1 Public Law 95-216 shall continue in effect, to the extent
2 applicable, as though such amendments had not been made).

3 (d) The period for which a certificate is in effect under
4 section 3121(k) of the Internal Revenue Code of 1954 may
5 not be terminated under paragraph (1)(D) or (2) thereof on or
6 after March 31; but no such certificate shall be effective with
7 respect to any service to which the amendments made by this
8 section apply.

9 (e)(1) If any individual—

10 (A) on January 1, 1984, is age 55 or over, and is
11 an employee of an organization described in section
12 210(a)(8)(B) of the Social Security Act (A) which does
13 not have in effect (on that date) a waiver certificate
14 under section 3121(k) of the Internal Revenue Code of
15 1954 and (B) to the employees of which social security
16 coverage is extended on January 1, 1984, solely by
17 reason of the enactment of this section, and

18 (B) after January 1, 1984, acquires the number of
19 quarters of coverage (within the meaning of section
20 213 of the Social Security Act) which is required for
21 purposes of this subparagraph under paragraph (2),
22 then such individual shall be deemed to be a fully insured
23 individual (as defined in section 214 of the Social Security
24 Act) for all of the purposes of title II of such Act.

1 (2) The number of quarters of coverage which is re-
 2 quired for purposes of subparagraph (B) of paragraph (1) shall
 3 be determined as follows:

In the case of an individual who on January 1, 1984, is—	The number of quarters of coverage so required shall be—
age 60 or over	6
age 59 or over but less than age 60	8
age 58 or over but less than age 59	12
age 57 or over but less than age 58	16
age 55 or over but less than age 57	20.

4 (f) Effective for cost reporting periods beginning on or
 5 after October 1, 1982, paragraph (6) of section 1886(b) of the
 6 Social Security Act is repealed.

7 DURATION OF AGREEMENTS FOR COVERAGE OF STATE
 8 AND LOCAL EMPLOYEES

9 SEC. 103. (a) Section 218(g) of the Social Security Act
 10 is amended to read as follows:

11 “Duration of Agreement

12 “(g) No agreement under this section may be terminat-
 13 ed, either in its entirety or with respect to any coverage
 14 group, on or after the date of the enactment of the Social
 15 Security Act Amendments of 1983.”.

16 (b) The amendment made by subsection (a) shall apply
 17 to any agreement in effect under section 218 of the Social
 18 Security Act on the date of the enactment of this Act, with-
 19 out regard to whether a notice of termination is in effect on
 20 such date, and to any agreement or modification thereof
 21 which may become effective under such section 218 after
 22 that date.

1 PART B—COMPUTATION OF BENEFIT AMOUNTS

2 SHIFT OF COST-OF-LIVING ADJUSTMENTS TO CALENDAR

3 YEAR BASIS

4 SEC. 111. (a)(1) Section 215(i)(1)(A) of the Social Secu-
5 rity Act is amended by striking out “the calendar quarter
6 ending on March 31 in each year after 1974” and inserting in
7 lieu thereof “the calendar quarter ending on September 30 in
8 each year after 1982”.

9 (2) Section 215(i)(2)(A)(ii) of such Act is amended by
10 striking out “June” and inserting in lieu thereof “Decem-
11 ber”.

12 (3) Section 215(i)(2)(A)(iii) of such Act is amended by
13 striking out “May” and inserting in lieu thereof “November”.

14 (4) Section 215(i)(2)(B) of such Act is amended by strik-
15 ing out “May” each place it appears and inserting in lieu
16 thereof “November”.

17 (b)(1) Section 215(i)(4) of such Act is amended by insert-
18 ing “, as modified by the application of the amendments
19 made by section 111(b)(2) of the Social Security Act Amend-
20 ments of 1983,” after “as in effect in December 1978”
21 where it first appears.

22 (2) Section 215(i) of such Act as in effect in December
23 1978, and as applied in certain cases under the provisions of
24 such Act as in effect after December 1978, is amended—

1 (A) by striking out “March 31 in each year after
2 1974” in paragraph (1)(A) and inserting in lieu thereof
3 “September 30 in each year after 1982”;

4 (B) by striking out “June” in paragraph (2)(A)(ii)
5 and inserting in lieu thereof “December”; and

6 (C) by striking out “May” each place it appears in
7 paragraph (2)(B) and inserting in lieu thereof “Novem-
8 ber”.

9 (c)(1) Section 203(f)(8)(A) of such Act is amended by
10 striking out “June” and inserting in lieu thereof “Decem-
11 ber”.

12 (2) Section 230(a) of such Act is amended by striking
13 out “June” and inserting in lieu thereof “December”.

14 (3) Section 202(m) of such Act (as it applies in certain
15 cases by reason of section 2 of Public Law 97-123) is amend-
16 ed by striking out “May” and inserting in lieu thereof “No-
17 vember”.

18 (d) The amendments made by this section shall apply
19 with respect to cost-of-living increases determined under sec-
20 tion 215(i) of the Social Security Act for years after 1982;
21 except that the amendments made by subsections (a)(1) and
22 (b)(2)(A) shall apply only with respect to cost-of-living in-
23 creases determined under such section 215(i) for years after
24 1983.

(e) Notwithstanding any provision to the contrary in section 215(i) of the Social Security Act, the “base quarter” (as defined in paragraph (1)(A)(i) of such section) in the calendar year 1983 shall be a “cost-of-living computation quarter” within the meaning of paragraph (1)(B) of such section (and shall be deemed to have been determined by the Secretary of Health and Human Services to be a “cost-of-living computation quarter” under paragraph (2)(A) of such section) for all of the purposes of such Act as amended by this section and by other provisions of this Act, without regard to the extent by which the Consumer Price Index has increased since the last prior cost-of-living computation quarter which was established under such paragraph (1)(B).

COST-OF-LIVING INCREASES TO BE BASED ON EITHER
WAGES OR PRICES (WHICHEVER IS LOWER) WHEN
BALANCE IN OASDI TRUST FUNDS FALLS BELOW
SPECIFIED LEVEL

SEC. 112. (a) Section 215(i)(1) of the Social Security Act is amended—

(1) by striking out “in which” in subparagraph (B) and all that follows down through the first semicolon in such subparagraph and inserting in lieu thereof “with respect to which the applicable increase percentage is 3 percent or more;”;

(2) by striking out “and” at the end of subparagraph (B);

(3) by redesignating subparagraph (C) as subparagraph (H); and

(4) by inserting after subparagraph (B) the following new subparagraphs:

“(C) the term ‘applicable increase percentage’ means—

“(i) with respect to a base quarter or cost-of-living computation quarter in any calendar year before 1988, or in any calendar year after 1987 for which the OASDI fund ratio is 20.0 percent or more, the CPI increase percentage; and

“(ii) with respect to a base quarter or cost-of-living computation quarter in any calendar year after 1987 for which the OASDI fund ratio is less than 20.0 percent, the CPI increase percentage or the wage increase percentage, whichever (with respect to that quarter) is the lower;

“(D) the term ‘CPI increase percentage’, with respect to a base quarter or cost-of-living computation quarter in any calendar year, means the percentage (rounded to the nearest one-tenth of 1 percent) by which the Consumer Price Index for that quarter exceeds such index for the most recent prior calendar

1 quarter which was a base quarter under subparagraph
2 (A)(ii) or, if later, the most recent cost-of-living compu-
3 tation quarter under subparagraph (B);

4 “(E) the term ‘wage increase percentage’, with
5 respect to a base quarter or cost-of-living computation
6 quarter in any calendar year, means the percentage
7 (rounded to the nearest one-tenth of 1 percent) by
8 which the SSA average wage index for the year imme-
9 diately preceding such calendar year exceeds such
10 index for the year immediately preceding the most
11 recent prior calendar year which included a base quar-
12 ter under subparagraph (A)(ii) or, if later, which includ-
13 ed a cost-of-living computation quarter;

14 “(F) the term ‘OASDI fund ratio’, with respect to
15 any calendar year, means the ratio of—

16 “(i) the combined balance in the Federal Old-
17 Age and Survivors Insurance Trust Fund and the
18 Federal Disability Insurance Trust Fund, reduced
19 by the outstanding amount of any loan (including
20 interest thereon) theretofore made to either such
21 Fund from the Federal Hospital Insurance Trust
22 Fund under section 201(l), as of the beginning of
23 such year, to

24 “(ii) the total amount which (as estimated by
25 the Secretary) will be paid from the Federal Old-

1 Age and Survivors Insurance Trust Fund and the
2 Federal Disability Insurance Trust Fund during
3 such calendar year for all purposes authorized by
4 section 201 (other than payments of interest on,
5 or repayments of, loans from the Federal Hospital
6 Insurance Trust Fund under section 201(l)), but
7 excluding any transfer payments between such
8 trust funds and reducing the amount of any trans-
9 fers to the Railroad Retirement Account by the
10 amount of any transfers into either such trust fund
11 from that Account;

12 “(G) the term ‘SSA average wage index’, with
13 respect to any calendar year, means the average of the
14 total wages reported to the Secretary of the Treasury
15 or his delegate for the preceding calendar year as de-
16 termined for purposes of subsection (b)(3)(A)(ii); and”.

17 (b) Section 215(i)(2)(A)(ii) of such Act is amended by
18 striking out “by the same percentage” and all that follows
19 down through the semicolon, in the sentence immediately fol-
20 lowing subdivision (III), and inserting in lieu thereof “by the
21 applicable increase percentage;”.

22 (c) Section 215(i) of such Act is further amended by
23 adding at the end thereof the following new paragraph:

24 “(5)(A) If—

1 “(i) with respect to any calendar year the ‘appli-
2 cable increase percentage’ was determined under
3 clause (ii) of paragraph (1)(C) rather than under clause
4 (i) of such paragraph, and the increase becoming effec-
5 tive under paragraph (2) in such year was accordingly
6 determined on the basis of the wage increase percent-
7 age rather than the CPI increase percentage (or there
8 was no such increase becoming effective under para-
9 graph (2) in that year because the wage increase per-
10 centage was less than 3 percent), and

11 “(ii) for any subsequent calendar year in which an
12 increase under paragraph (2) becomes effective the
13 OASDI fund ratio is greater than 32.0 percent,
14 then each of the amounts described in subdivisions (I), (II),
15 and (III) of paragraph (2)(A)(ii), as increased under para-
16 graph (2) effective with the month of December in such sub-
17 sequent calendar year, shall be further increased (effective
18 with such month) by an additional percentage, which shall be
19 determined under subparagraph (B) and shall apply as pro-
20 vided in subparagraph (C).

21 “(B) The applicable additional percentage by which the
22 amounts described in subdivisions (I), (II), and (III) of para-
23 graph (2)(A)(ii) are to be further increased under subpara-
24 graph (A) in the subsequent calendar year involved shall be
25 the difference between—

1 “(i) the compounded percentage benefit increases
2 that would have been paid if all increases under para-
3 graph (2) had been made on the basis of the CPI in-
4 crease percentage, and

5 “(ii) the compounded percentage benefit increases
6 that were actually paid under paragraph (2) and this
7 paragraph,

8 with such increases being measured—

9 “(iii) in the case of amounts described in subdivi-
10 sion (I) of paragraph (2)(A)(ii), over the period begin-
11 ning with the calendar year in which the individual
12 first became entitled to monthly benefits described in
13 such subdivision and ending with such subsequent cal-
14 endar year, and

15 “(iv) in the case of amounts described in subdivi-
16 sions (II) and (III) of paragraph (2)(A)(ii), over the
17 period beginning with the calendar year in which the
18 individual whose primary insurance amount is in-
19 creased under such subdivision (II) initially became eli-
20 gible for an old-age or disability insurance benefit, or
21 died before becoming so eligible, and ending with such
22 subsequent calendar year;

23 except that if the Secretary determines in any case that the
24 application (in accordance with subparagraph (C)) of the addi-
25 tional percentage as computed under the preceding provisions

1 of this subparagraph would cause the OASDI fund ratio to
2 fall below 32.0 percent in the calendar year immediately fol-
3 lowing such subsequent year, he shall reduce such applicable
4 additional percentage to the extent necessary to ensure that
5 the OASDI fund ratio will remain at or above 32.0 percent
6 through the end of such following year.

7 “(C) Any applicable additional percentage increase in an
8 amount described in subdivision (I), (II), or (III) of paragraph
9 (2)(A)(ii), made under this paragraph in any calendar year,
10 shall thereafter be treated for all the purposes of this Act as a
11 part of the increase made in such amount under paragraph (2)
12 for that year.”.

13 (d)(1) Section 215(i)(2)(C) of such Act is amended by
14 adding at the end thereof the following new clause:

15 “(iii) The Secretary shall determine and promulgate the
16 OASDI fund ratio and the SSA wage index for each calendar
17 year before November 1 of that year, based upon the most
18 recent data then available, and shall include a statement of
19 such fund ratio and wage index (and of the effect such ratio
20 and the level of such index may have upon benefit increases
21 under this subsection) in any notification made under clause
22 (ii) and any determination published under subparagraph
23 (D).”.

24 (2) Section 215(i)(4) of such Act (as amended by section
25 111(b)(1) of this Act) is further amended by striking out “sec-

1 tion 111(b)(2)” and inserting in lieu thereof “sections
2 111(b)(2) and 112”.

3 (e) The amendments made by the preceding provisions
4 of this section shall apply with respect to monthly benefits
5 under title II of the Social Security Act for months after
6 December 1987.

7 (f) Notwithstanding anything to the contrary in section
8 215(i)(1)(F) of the Social Security Act (as added by subsec-
9 tion (a)(4) of this section), the combined balance in the Trust
10 Funds which is to be used in determining the “OASDI fund
11 ratio” with respect to the calendar year 1988 under such
12 section shall be the estimated combined balance in such
13 Funds as of the close of that year (rather than as of its begin-
14 ning).

15 ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS

16 RECEIVING PENSIONS FROM NONCOVERED EMPLOYMENT

17 SEC. 113. (a) Section 215(a) of the Social Security Act
18 is amended by adding at the end thereof the following new
19 paragraph:

20 “(7)(A) In the case of an individual whose primary in-
21 surance amount would be computed under paragraph (1) of
22 this subsection, who—

23 “(i) attains age 62 after 1985 (except where he or
24 she became entitled to a disability insurance benefit
25 before 1986 and remained so entitled in any of the 12

1 months immediately preceding his or her attainment of
2 age 62), or
3 “(ii) would attain age 62 after 1985 and becomes
4 entitled to a disability insurance benefit after 1985,
5 and who is entitled to a monthly periodic payment (including
6 a payment determined under subparagraph (C)) based in
7 whole or in part upon his or her earnings for service which
8 did not constitute ‘employment’ as defined in section 210 for
9 purposes of this title (hereafter in this paragraph and in sub-
10 section (d)(5) referred to as ‘noncovered service’), the primary
11 insurance amount of that individual during his or her concur-
12 rent entitlement to such monthly periodic payment and to
13 old-age or disability insurance benefits shall be computed or
14 recomputed under subparagraph (B) with respect to the ini-
15 tial month in which the individual becomes eligible for such
16 benefits. Notwithstanding the preceding sentence, in no case
17 shall the primary insurance amount of an insured individual
18 be computed or recomputed under this paragraph if the
19 monthly periodic payment to which such individual is entitled
20 is based in whole or in part on earnings derived from the
21 performance of service as an employee of the United States,
22 or of an instrumentality of the United States, before 1971,
23 and such service constituted ‘employment’ as defined in sec-
24 tion 210(a).

1 “(B) If paragraph (1) of this subsection would apply to
2 such an individual (except for subparagraph (A) of this para-
3 graph), there shall first be computed an amount equal to the
4 individual’s primary insurance amount under the preceding
5 paragraphs of this subsection, except that for purposes of
6 such computation the percentage of the individual’s average
7 indexed monthly earnings established by subparagraph (A)(i)
8 of paragraph (1) shall be 61 percent. There shall then be
9 computed (without regard to this paragraph) a second
10 amount, which shall be equal to the individual’s primary in-
11 surance amount under the preceding paragraphs of this sub-
12 section, except that such second amount shall be reduced by
13 an amount equal to one-half of the portion of the monthly
14 periodic payment which is attributable to noncovered service
15 (with such attribution being based on the proportionate
16 number of years of noncovered service) and to which the indi-
17 vidual is entitled (or is deemed to be entitled) for the initial
18 month of his or her eligibility for old-age or disability insur-
19 ance benefits. The individual’s primary insurance amount
20 shall be the larger of the two amounts computed under this
21 subparagraph (before the application of subsection (i)) and
22 shall be deemed to be computed under paragraph (1) of this
23 subsection for the purpose of applying other provisions of this
24 title.

1 “(C)(i) Any periodic payment which otherwise meets the
2 requirements of subparagraph (A), but which is paid on other
3 than a monthly basis, shall be allocated on a basis equivalent
4 to a monthly payment (as determined by the Secretary), and
5 such equivalent monthly payment shall constitute a monthly
6 periodic payment for purposes of this paragraph.

7 “(ii) In the case of an individual who has elected to
8 receive a periodic payment that has been reduced so as to
9 provide a survivors benefit to any other individual, the pay-
10 ment shall be deemed to be increased (for purposes of any
11 computation under this paragraph or subsection (d)(5)) by the
12 amount of such reduction.

13 “(iii) If an individual to whom subparagraph (A) applies
14 is eligible for a periodic payment beginning with a month that
15 is subsequent to the month in which he or she becomes eligi-
16 ble for old-age or disability insurance benefits, the amount of
17 that payment (for purposes of subparagraph (B)) shall be
18 deemed to be the amount to which he or she is, or is deemed
19 to be, entitled (subject to clauses (i), (ii), and (iv) of this sub-
20 paragraph) in such subsequent month.

21 “(iv) For purposes of this paragraph, the term ‘periodic
22 payment’ includes a payment payable in a lump sum if it is a
23 commutation of, or a substitute for, periodic payments.”.

24 (b) Section 215(d) of such Act is amended by adding at
25 the end thereof the following new paragraph:

1 “(5) In the case of an individual whose primary insur-
2 ance amount is not computed under paragraph (1) of subsec-
3 tion (a) by reason of paragraph (4)(B)(ii) of that subsection,
4 who—

5 “(A) attains age 62 after 1985 (except where he
6 or she became entitled to a disability insurance benefit
7 before 1986, and remained so entitled in any of the 12
8 months immediately preceding his or her attainment of
9 age 62), or

10 “(B) would attain age 62 after 1985 and becomes
11 entitled to a disability insurance benefit after 1985,
12 and who is entitled to a monthly periodic payment (including
13 a payment determined under subsection (a)(7)(C)) based (in
14 whole or in part) upon his or her earnings in noncovered
15 service, the primary insurance amount of such individual
16 during his or her concurrent entitlement to such monthly pe-
17 riodic payment and to old-age or disability insurance benefits
18 shall be the primary insurance amount computed or recom-
19 puted under this subsection (without regard to this paragraph
20 and before the application of subsection (i)) reduced by an
21 amount equal to the smaller of—

22 “(i) one-half of the primary insurance amount
23 (computed without regard to this paragraph and before
24 the application of subsection (i)), or

1 “(ii) one-half of the portion of the monthly period-
2 ic payment (or payment determined under subsection
3 (a)(7)(C)) which is attributable to noncovered service
4 (with such attribution being based on the proportionate
5 number of years of noncovered service) and to which
6 that individual is entitled (or is deemed to be entitled)
7 for the initial month of his or her eligibility for old-age
8 or disability insurance benefits.

9 Notwithstanding the preceding sentence, in no case shall the
10 primary insurance amount of an insured individual be com-
11 puted or recomputed under this paragraph if the monthly pe-
12 riodic payment to which such individual is entitled is based in
13 whole or in part on earnings derived from the performance of
14 service as an employee of the United States, or of an instru-
15 mentality of the United States, before 1971, and such service
16 constituted ‘employment’ as defined in section 210(a).’.

17 (c) Section 215(f) of such Act is amended by adding at
18 the end thereof the following new paragraph:

19 “(9)(A) In the case of an individual who becomes enti-
20 tled to a periodic payment determined under subsection
21 (a)(7)(A) (including a payment determined under subsection
22 (a)(7)(C)) in a month subsequent to the first month in which
23 he or she becomes entitled to an old-age or disability insur-
24 ance benefit, and whose primary insurance amount has been
25 computed without regard to either such subsection or subsec-

1 tion (d)(5), such individual's primary insurance amount shall
2 be recomputed, in accordance with either such subsection or
3 subsection (d)(5), as may be applicable, effective with the first
4 month of his or her concurrent entitlement to such benefit
5 and such periodic payment.

6 “(B) If an individual's primary insurance amount has
7 been computed under subsection (a)(7) or (d)(5), and it be-
8 comes necessary to recompute that primary insurance
9 amount under this subsection—

10 “(i) so as to increase the monthly benefit amount
11 payable with respect to such primary insurance amount
12 (except in the case of the individual's death), such in-
13 crease shall be determined as though such primary in-
14 surance amount had initially been computed without
15 regard to subsection (a)(7) or (d)(5), or

16 “(ii) by reason of the individual's death, such pri-
17 mary insurance amount shall be recomputed without
18 regard to (and as though it had never been computed
19 with regard to) subsection (a)(7) or (d)(5).”.

20 (d) Sections 202(e)(2) and 202(f)(3) of such Act are each
21 amended by striking out “section 215(f)(5) or (6)” wherever
22 it appears and inserting in lieu thereof “section 215(f)(5),
23 215(f)(6), or 215(f)(9)(B)”.

1 INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON
2 ACCOUNT OF DELAYED RETIREMENT

3 SEC. 114. (a) Section 202(w)(1)(A) of the Social Secu-
4 rity Act is amended to read as follows:

5 “(A) the applicable percentage (as determined
6 under paragraph (6)) of such amount, multiplied by”.

7 (b) Section 202(w) of such Act is further amended by
8 adding at the end thereof the following new paragraph:

9 “(6) For purposes of paragraph (1)(A), the ‘applicable
10 percentage’ is—

11 “(A) $\frac{1}{12}$ of 1 percent in the case of an individual
12 who first becomes eligible for an old-age insurance
13 benefit in any calendar year before 1979;

14 “(B) $\frac{1}{4}$ of 1 percent in the case of an individual
15 who first becomes eligible for an old-age insurance
16 benefit in any calendar year after 1978 and before
17 1987;

18 “(C) in the case of an individual who first be-
19 comes eligible for an old-age insurance benefit in a cal-
20 endar year after 1986 and before 2005, a percentage
21 equal to the applicable percentage in effect under this
22 paragraph for persons who first became eligible for an
23 old-age insurance benefit in the preceding calendar
24 year (as increased pursuant to this subparagraph), plus
25 $\frac{1}{24}$ of 1 percent if the calendar year in which that

particular individual first becomes eligible for such benefit is not evenly divisible by 2; and

“(D) $\frac{2}{3}$ of 1 percent in the case of an individual who first becomes eligible for an old-age insurance benefit in a calendar year after 2004.”.

PART C—REVENUE PROVISIONS

SEC. 121. TAXATION OF SOCIAL SECURITY TIER 1 AND RAILROAD RETIREMENT BENEFITS.

(a) GENERAL RULE.—Part II of subchapter B of chapter 1 of the Internal Revenue Code of 1954 (relating to amounts specifically included in gross income) is amended by redesignating section 86 as section 87 and by inserting after section 85 the following new section:

“SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIREMENT BENEFITS.

“(a) IN GENERAL.—Gross income for the taxable year of any taxpayer described in subsection (b) includes social security benefits in an amount equal to the lesser of—

“(1) one-half of the social security benefits received during the taxable year, or

“(2) one-half of the excess described in subsection (b).

“(b) TAXPAYERS TO WHOM SUBSECTION (a) APPLIES.—A taxpayer is described in this subsection if—

“(1) the sum of—

1 “(A) the adjusted gross income of the tax-
2 payer for the taxable year (determined without
3 regard to this section and sections 221, 911, and
4 931), plus

5 “(B) one-half of the social security benefits
6 received during the taxable year, exceeds

7 “(2) the base amount.

8 “(c) **BASE AMOUNT.**—For purposes of this section, the
9 term ‘base amount’ means—

10 “(1) except as otherwise provided in this subsec-
11 tion, \$25,000,

12 “(2) \$32,000, in the case of a joint return, and

13 “(3) zero, in the case of a taxpayer who—

14 “(A) is married at the close of the taxable
15 year (within the meaning of section 143) but does
16 not file a joint return for such year, and

17 “(B) does not live apart from his spouse at
18 all times during the taxable year.

19 “(d) **SOCIAL SECURITY BENEFIT.**—

20 “(1) **IN GENERAL.**—For purposes of this section,
21 the term ‘social security benefit’ means any amount re-
22 ceived by the taxpayer by reason of entitlement to—

23 “(A) a monthly benefit under title II of the
24 Social Security Act, or

25 “(B) a tier 1 railroad retirement benefit.

1 “(2) ADJUSTMENT FOR REPAYMENTS DURING
2 YEAR.—

3 “(A) IN GENERAL.—For purposes of this
4 section, the amount of social security benefits re-
5 ceived during any taxable year shall be reduced
6 by any repayment made by the taxpayer during
7 the taxable year of a social security benefit previ-
8 ously received by the taxpayer (whether or not
9 such benefit was received during the taxable
10 year).

11 “(B) DENIAL OF DEDUCTION.—If (but for
12 this subparagraph) any portion of the repayments
13 referred to in subparagraph (A) would have been
14 allowable as a deduction for the taxable year
15 under section 165, such portion shall be allowable
16 as a deduction only to the extent it exceeds the
17 social security benefits received by the taxpayer
18 during the taxable year (and not repaid during
19 such taxable year).

20 “(3) WORKMEN’S COMPENSATION BENEFITS
21 SUBSTITUTED FOR SOCIAL SECURITY BENEFITS.—For
22 purposes of this section, if, by reason of section 224 of
23 the Social Security Act (or by reason of section 3(a)(1)
24 of the Railroad Retirement Act of 1974), any social se-
25 curity benefit is reduced by reason of the receipt of a

1 benefit under a workmen's compensation act, the term
2 'social security benefit' includes that portion of such
3 benefit received under the workmen's compensation act
4 which equals such reduction.

5 "(4) TIER 1 RAILROAD RETIREMENT BENEFIT.—

6 For purposes of paragraph (1), the term 'tier 1 railroad
7 retirement benefit' means a monthly benefit under sec-
8 tion 3(a), 4(a), 4(f) of the Railroad Retirement Act of
9 1974.

10 "(e) LIMITATION ON AMOUNT INCLUDED WHERE
11 TAXPAYER RECEIVES LUMP-SUM PAYMENT.—

12 "(1) LIMITATION.—If—

13 "(A) any portion of a lump-sum payment of
14 social security benefits received during the taxable
15 year is attributable to prior taxable years, and

16 "(B) the taxpayer makes an election under
17 this subsection for the taxable year,

18 then the amount included in gross income under this section
19 for the taxable year by reason of the receipt of such portion
20 shall not exceed the sum of the increases in gross income
21 under this chapter for prior taxable years which would result
22 solely from taking into account such portion in the taxable
23 years to which it is attributable.

24 "(2) SPECIAL RULES.—

1 “(A) YEAR TO WHICH BENEFIT ATTRIBUT-
2 ABLE.—For purposes of this subsection, a social
3 security benefit is attributable to a taxable year if
4 the generally applicable payment date for such
5 benefit occurred during such taxable year.

6 “(B) ELECTION.—An election under this
7 subsection shall be made at such time and in such
8 manner as the Secretary shall by regulations pre-
9 scribe. Such election, once made, may be revoked
10 only with the consent of the Secretary.

11 “(f) TREATMENT AS PENSION OR ANNUITY FOR CER-
12 TAIN PURPOSES.—For purposes of—

13 “(1) section 43(c)(2) (defining earned income),

14 “(2) section 219(f)(1) (defining compensation),

15 “(3) section 221(b)(2) (defining earned income),

16 and

17 “(4) section 911(b)(1) (defining foreign earned
18 income),

19 any social security benefit shall be treated as an amount re-
20 ceived as a pension or annuity.”

21 (b) INFORMATION REPORTING.—Subpart B of part III
22 of subchapter A of chapter 61 of such Code (relating to infor-
23 mation concerning transactions with other persons) is amend-
24 ed by adding at the end thereof the following new section:

1 "SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY BENE-
2 FITS.

3 "(a) REQUIREMENT OF REPORTING.—The appropriate
4 Federal official shall make a return, according to the forms
5 and regulations prescribed by the Secretary, setting forth—

6 "(1) the—

7 "(A) aggregate amount of social security
8 benefits paid with respect to any individual during
9 any calendar year,

10 "(B) aggregate amount of social security
11 benefits repaid by such individual during such cal-
12 endar year, and

13 "(C) aggregate reductions under section 224
14 of the Social Security Act (or under section
15 3(a)(1) of the Railroad Retirement Act of 1974) in
16 benefits which would otherwise have been paid to
17 such individual during the calendar year on ac-
18 count of amounts received under a workmen's
19 compensation act, and

20 "(2) the name and address of such individual.

21 "(b) STATEMENTS TO BE FURNISHED TO INDIVID-
22 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-
23 NISHED.—Every person making a return under subsection
24 (a) shall furnish to each individual whose name is set forth in
25 such return a written statement showing—

1 “(1) the name of the agency making the pay-
2 ments, and

3 “(2) the aggregate amount of payments, of repay-
4 ments, and of reductions, with respect to the individual
5 as shown on such return.

6 The written statement required under the preceding sentence
7 shall be furnished to the individual on or before January 31
8 of the year following the calendar year for which the return
9 under subsection (a) was made.

10 “(c) DEFINITIONS.—For purposes of this section—

11 “(1) APPROPRIATE FEDERAL OFFICIAL.—The
12 term ‘appropriate Federal official’ means—

13 “(A) the Secretary of Health and Human
14 Services in the case of social security benefits de-
15 scribed in section 86(d)(1)(A), and

16 “(B) the Railroad Retirement Board in the
17 case of social security benefits described in section
18 86(d)(1)(B).

19 “(2) SOCIAL SECURITY BENEFIT.—The term
20 ‘social security benefit’ has the meaning given to such
21 term by section 86(d)(1).”

22 (c) TREATMENT OF NONRESIDENT ALIENS.—

23 (1) AMENDMENT OF SECTION 871(a).—Subsection
24 (a) of section 871 of such Code (relating to tax on
25 income not connected with United States business) is

1 amended by adding at the end thereof the following
2 new paragraph:

3 “(3) TAXATION OF SOCIAL SECURITY BENE-
4 FITS.—For purposes of this section and section
5 1441—

6 “(A) one-half of any social security benefit
7 (as defined in section 86(d)) shall be included in
8 gross income, and

9 “(B) section 86 shall not apply.”

10 (2) AMENDMENT OF SECTION 1441.—Section
11 1441 of such Code (relating to withholding of tax on
12 nonresident aliens) is amended by adding at the end
13 thereof the following new subsection:

14 “(g) CROSS REFERENCE.—

“For provision treating one-half of social security
benefits as subject to withholding under this section, see
section 871(a)(3).”

15 (3) DISCLOSURE OF INFORMATION TO SOCIAL
16 SECURITY ADMINISTRATION OR RAILROAD RETIRE-
17 MENT BOARD.—

18 (A) IN GENERAL.—Subsection (h) of section
19 6103 of such Code (relating to disclosure to cer-
20 tain Federal officers and employees for purposes
21 of tax administration, etc.) is amended by adding
22 at the end thereof the following new paragraph:

23 “(6) WITHHOLDING OF TAX FROM SOCIAL SECU-
24 RITY BENEFITS.—Upon written request, the Secretary

1 may disclose available return information from the
2 master files of the Internal Revenue Service with re-
3 spect to the address and status of an individual as a
4 nonresident alien or as a citizen or resident of the
5 United States to the Social Security Administration or
6 the Railroad Retirement Board for purposes of carrying
7 out its responsibilities for withholding tax under section
8 1441 from social security benefits (as defined in section
9 86(d)).”

10 (B) CONFORMING AMENDMENT.—Paragraph

11 (4) of section 6103(p) of such Code (relating to
12 safeguards) is amended by inserting “(h)(6),” after
13 “(h)(2),” in the material preceding subparagraph
14 (A) and in subparagraph (F)(ii), thereof.

15 (d) SOCIAL SECURITY BENEFITS TREATED AS UNITED
16 STATES SOURCED.—Subsection (a) of section 861 of such
17 Code (relating to income from sources within the United
18 States) is amended by adding at the end thereof the following
19 new paragraph:

20 “(8) SOCIAL SECURITY BENEFITS.—Any social
21 security benefit (as defined in section 86(d)).”

22 (e) TRANSFERS TO TRUST FUNDS.—

23 (1) IN GENERAL.—There are hereby appropriated
24 to each payor fund amounts equivalent to the aggre-
25 gate increase in tax liabilities under chapter 1 of the

1 Internal Revenue Code of 1954 which is attributable
2 to the application of sections 86 and 871(a)(3) of such
3 Code (as added by this section) to payments from such
4 payor fund.

5 (2) TRANSFERS.—The amounts appropriated by
6 paragraph (1) to any payor fund shall be transferred
7 from time to time (but not less frequently than quarter-
8 ly) from the general fund of the Treasury on the basis
9 of estimates made by the Secretary of the Treasury of
10 the amounts referred to in such paragraph. Any such
11 quarterly payment shall be made on the first day of
12 such quarter and shall take into account social security
13 benefits estimated to be received during such quarter.
14 Proper adjustments shall be made in the amounts sub-
15 sequently transferred to the extent prior estimates
16 were in excess of or less than the amounts required to
17 be transferred.

18 (3) DEFINITIONS.—For purposes of this subsec-
19 tion—

20 (A) PAYOR FUND.—The term “payor fund”
21 means any trust fund or account from which pay-
22 ments of social security benefits are made.

23 (B) SOCIAL SECURITY BENEFITS.—The
24 term “social security benefits” has the meaning

1 given such term by section 86(d)(1) of the Internal
2 Revenue Code of 1954.

3 (4) REPORTS.—The Secretary of the Treasury
4 shall submit annual reports to the Congress and to the
5 Secretary of Health and Human Services and the Rail-
6 road Retirement Board on—

7 (A) the transfers made under this subsection
8 during the year, and the methodology used in de-
9 termining the amount of such transfers and the
10 funds or account to which made, and

11 (B) the anticipated operation of this subsec-
12 tion during the next 5 years.

13 (f) TECHNICAL AMENDMENTS.—

14 (1) Subsection (a) of section 85 of such Code is
15 amended by striking out “this section,” and inserting
16 in lieu thereof “this section, section 86,”.

17 (2) Subparagraph (B) of section 128(c)(3) of such
18 Code (as in effect for taxable years beginning after De-
19 cember 31, 1984) is amended by striking out “85” and
20 inserting in lieu thereof “85, 86”.

21 (3) The table of sections for part II of subchapter
22 B of chapter 1 of such Code is amended by striking out
23 the item relating to section 86 and inserting in lieu
24 thereof the following:

“Sec. 86. Social security and tier 1 railroad retirement benefits.

“Sec. 87. Alcohol fuel credit.”

1 (4) The table of sections for subpart B of part III
2 of subchapter A of chapter 61 of such Code is amended
3 by adding at the end thereof the following new item:

 “Sec. 6050F. Returns relating to social security benefits.”

4 (g) EFFECTIVE DATES.—

5 (1) IN GENERAL.—Except as provided in para-
6 graph (2), the amendments made by this section shall
7 apply to benefits received after December 31, 1983, in
8 taxable years ending after such date.

9 (2) TREATMENT OF CERTAIN LUMP-SUM PAY-
10 MENTS RECEIVED AFTER DECEMBER 31, 1983.—The
11 amendments made by this section shall not apply to
12 any portion of a lump-sum payment of social security
13 benefits (as defined in section 86(d) of the Internal
14 Revenue Code of 1954) received after December 31,
15 1983, if the generally applicable payment date for such
16 portion was before January 1, 1984.

17 SEC. 122. CREDIT FOR THE ELDERLY AND THE PERMANENTLY
18 AND TOTALLY DISABLED.

19 (a) GENERAL RULE.—Section 37 of the Internal Reve-
20 nue Code of 1954 (relating to credit for the elderly) is amend-
21 ed to read as follows:

22 “SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY
23 AND TOTALLY DISABLED.

24 “(a) GENERAL RULE.—In the case of a qualified indi-
25 vidual, there shall be allowed as a credit against the tax im-

1 posed by this chapter for the taxable year an amount equal to
 2 15 percent of such individual's section 37 amount for such
 3 taxable year.

4 “(b) QUALIFIED INDIVIDUAL.—For purposes of this
 5 section, the term ‘qualified individual’ means any individu-
 6 al—

7 “(1) who has attained age 65 before the close of
 8 the taxable year, or

9 “(2) who retired on disability before the close of
 10 the taxable year and who, when he retired, was per-
 11 manently and totally disabled.

12 “(c) SECTION 37 AMOUNT.—For purposes of subsection
 13 (a)—

14 “(1) IN GENERAL.—An individual's section 37
 15 amount for the taxable year shall be the applicable ini-
 16 tial amount determined under paragraph (2), reduced
 17 as provided in paragraph (3) and in subsection (d).

18 “(2) INITIAL AMOUNT—

19 “(A) IN GENERAL.—Except as provided in
 20 subparagraph (B), the initial amount shall be—

21 “(i) \$5,000 in the case of a single indi-
 22 vidual, or a joint return where only one
 23 spouse is a qualified individual,

1 “(ii) \$7,500 in the case of a joint return
2 where both spouses are qualified individuals,
3 or

4 “(iii) \$3,750 in the case of a married in-
5 dividual filing a separate return.

6 “(B) LIMITATION IN CASE OF INDIVIDUALS
7 WHO HAVE NOT ATTAINED AGE 65.—

8 “(i) IN GENERAL.—In the case of a
9 qualified individual who has not attained age
10 65 before the close of the taxable year,
11 except as provided in clause (ii), the initial
12 amount shall not exceed the disability income
13 for the taxable year.

14 “(ii) SPECIAL RULES IN CASE OF
15 JOINT RETURN.—In the case of a joint
16 return where both spouses are qualified indi-
17 viduals and at least one spouse has not at-
18 tained age 65 before the close of the taxable
19 year—

20 “(I) if both spouses have not at-
21 tained age 65 before the close of the
22 taxable year, the initial amount shall
23 not exceed the sum of such spouses’
24 disability income, or

1 “(II) if one spouse has attained
2 age 65 before the close of the taxable
3 year, the initial amount shall not exceed
4 the sum of \$5,000 plus the disability
5 income for the taxable year of the
6 spouse who has not attained age 65
7 before the close of the taxable year.

8 “(iii) DISABILITY INCOME.—For pur-
9 poses of this subparagraph, the term ‘disabil-
10 ity income’ means the aggregate amount in-
11 cludable in the gross income of the individual
12 for the taxable year under section 72 or
13 105(a) to the extent such amount constitutes
14 wages (or payments in lieu of wages) for the
15 period during which the individual is absent
16 from work on account of permanent and total
17 disability.

18 “(3) REDUCTION.—

19 “(A) IN GENERAL.—The reduction under
20 this paragraph is an amount equal to the sum of
21 the amounts received by the individual (or, in the
22 case of a joint return, by either spouse) as a pen-
23 sion or annuity or as a disability benefit—

24 “(i) under title II of the Social Security
25 Act,

1 “(ii) under the Railroad Retirement Act
2 of 1974, or

3 “(iii) otherwise excluded from gross
4 income.

5 “(B) NO REDUCTION FOR CERTAIN EXCLU-
6 SIONS.—No reduction shall be made under clause
7 (iii) of subparagraph (A) for any amount excluded
8 from gross income under section 72 (relating to
9 annuities), 101 (relating to life insurance pro-
10 ceeds), 104 (relating to compensation for injuries
11 or sickness), 105 (relating to amounts received
12 under accident and health plans), 120 (relating to
13 amounts received under qualified group legal serv-
14 ices plans), 402 (relating to taxability of benefici-
15 ary of employees’ trust), 403 (relating to taxation
16 of employee annuities), or 405 (relating to quali-
17 fied bond purchase plans).

18 “(C) TREATMENT OF CERTAIN WORKMEN’S
19 COMPENSATION BENEFITS.—For purposes of sub-
20 paragraph (A), any amount treated as a social se-
21 curity benefit under section 86(d)(3) shall be treat-
22 ed as a disability benefit received under title II of
23 the Social Security Act.

24 “(d) LIMITATIONS.—

1 “(1) ADJUSTED GROSS INCOME LIMITATION.—If
2 the adjusted gross income of the taxpayer exceeds—

3 “(A) \$7,500 in the case of a single individu-
4 al,

5 “(B) \$10,000 in the case of a joint return, or

6 “(C) \$5,000 in the case of a married individ-
7 ual filing a separate return,
8 the section 37 amount shall be reduced by one-half of
9 the excess of the adjusted gross income over \$7,500,
10 \$10,000, or \$5,000, as the case may be.

11 “(2) LIMITATION BASED ON AMOUNT OF TAX.—
12 The amount of the credit allowed by this section for
13 the taxable year shall not exceed the amount of the tax
14 imposed by this chapter for such taxable year.

15 “(e) DEFINITIONS AND SPECIAL RULES.—For pur-
16 poses of this section—

17 “(1) MARRIED COUPLE MUST FILE JOINT
18 RETURN.—Except in the case of a husband and wife
19 who live apart at all times during the taxable year, if
20 the taxpayer is married at the close of the taxable
21 year, the credit provided by this section shall be al-
22 lowed only if the taxpayer and his spouse file a joint
23 return for the taxable year.

24 “(2) MARITAL STATUS.—Marital status shall be
25 determined under section 143.

1 “(3) PERMANENT AND TOTAL DISABILITY DE-
2 FINED.—An individual is permanently and totally dis-
3 abled if he is unable to engage in any substantial gain-
4 ful activity by reason of any medically determinable
5 physical or mental impairment which can be expected
6 to result in death or which has lasted or can be expect-
7 ed to last for a continuous period of not less than 12
8 months. An individual shall not be considered to be
9 permanently and totally disabled unless he furnishes
10 proof of the existence thereof in such form and manner,
11 and at such times, as the Secretary may require.

12 “(f) NONRESIDENT ALIEN INELIGIBLE FOR CREDIT.—
13 No credit shall be allowed under this section to any nonresi-
14 dent alien.”

15 (b) REPEAL OF EXCLUSION FOR CERTAIN DISABILITY
16 PAYMENTS.—Subsection (d) of section 105 of such Code (re-
17 lating to certain disability payments) is hereby repealed.

18 (c) CONFORMING AMENDMENTS.—

19 (1) Sections 41(b)(2), 44A(b)(2), 46(a)(4)(B),
20 53(a)(2), and 904(g) of such Code are each amended by
21 striking out “relating to credit for the elderly” and in-
22 serting in lieu thereof “relating to credit for the elderly
23 and the permanently and totally disabled”.

24 (2) Subsection (a) of section 85 of such Code is
25 amended by striking out “, section 105(d),”.

(3) Subparagraph (B) of section 128(c)(3) of such Code (as in effect for taxable years beginning after December 31, 1984) is amended by striking out “105(d),”.

(4) Paragraph (3) of section 403(b) of such Code is amended by striking out “sections 105(d) and 911” and inserting in lieu thereof “section 911”.

(5) Clause (i) of section 415(c)(3)(C) of such Code is amended by striking out “section 105(d)(4)” and inserting in lieu thereof “section 37(e)(3)”.

(6) Paragraph (6) of section 7871(a) of such Code is amended by striking out subparagraph (A), and by redesignating subparagraphs (B), (C), and (D) as subparagraphs (A), (B), and (C), respectively.

(7) The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by striking out the item relating to section 37 and inserting in lieu thereof the following:

**“SEC. 37. CREDIT FOR THE ELDERLY AND THE PERMANENTLY
AND TOTALLY DISABLED.”**

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1983.

(2) **TRANSITIONAL RULE.**—If an individual's annuity starting date was deferred under section 105(d)(6) of the Internal Revenue Code of 1954 (as in effect on the day before the date of the enactment of this section), such deferral shall end on the first day of such individual's first taxable year beginning after December 31, 1983.

**SEC. 123. ACCELERATION OF INCREASES IN FICA TAXES; 1984
EMPLOYEE TAX CREDIT.**

(a) **ACCELERATION OF INCREASES IN FICA TAXES.**—

(1) **TAX ON EMPLOYEES.**—Subsection (a) of section 3101 of the Internal Revenue Code of 1954 (relating to rate of tax on employees for old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) through (7) and inserting in lieu thereof the following:

"In cases of wages received during:	The rate shall be:
1984, 1985, 1986, or 1987	5.7 percent
1988 or 1989	6.06 percent
1990 or thereafter	6.2 percent."

(2) **EMPLOYER TAX.**—Subsection (a) of section 3111 of such Code is amended by striking out paragraphs (1) through (7) and inserting in lieu thereof the following:

"In cases of wages paid during:	The rate shall be:
1984, 1985, 1986, or 1987	5.7 percent
1988 or 1989	6.06 percent
1990 or thereafter	6.2 percent."

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to remuneration paid after December 31, 1983.

(b) **1984 EMPLOYEE TAX CREDIT.**—

(1) **IN GENERAL.**—Chapter 25 of such Code is amended by adding at the end thereof the following new section:

“**SEC. 3510. CREDIT FOR INCREASED SOCIAL SECURITY EMPLOYEE TAXES AND RAILROAD RETIREMENT TIER 1 EMPLOYEE TAXES IMPOSED DURING 1984.**

“(a) **GENERAL RULE.**—There shall be allowed as a credit against the tax imposed by section 3101(a) on wages received during 1984 an amount equal to $\frac{3}{10}$ of 1 percent of the wages so received.

“(b) **TIME CREDIT ALLOWED.**—The credit under subsection (a) shall be taken into account in determining the amount of the tax deducted under section 3102(a).

“(c) **WAGES.**—For purposes of this section, the term ‘wages’ has the meaning given to such term by section 3121(a).

“(d) **APPLICATION TO AGREEMENTS UNDER SECTION 218 OF THE SOCIAL SECURITY ACT.**—For purposes of determining amounts equivalent to the tax imposed by section 3101(a) with respect to remuneration which—

1 “(1) is covered by an agreement under section
2 218 of the Social Security Act, and

3 “(2) is paid during 1984,
4 the credit allowed by subsection (a) shall be taken into ac-
5 count. A similar rule shall also apply in the case of an agree-
6 ment under section 3121(l).

7 “(e) CREDIT AGAINST RAILROAD RETIREMENT EM-
8 PLOYEE AND EMPLOYEE REPRESENTATIVE TAXES.—

9 “(1) IN GENERAL.—There shall be allowed as a
10 credit against the taxes imposed by sections 3201(a)
11 and 3211(a) on compensation paid during 1984 and
12 subject to such taxes an amount equal to $\frac{3}{10}$ of 1 per-
13 cent of such compensation.

14 “(2) TIME CREDIT ALLOWED.—The credit under
15 paragraph (1) shall be taken into account in determin-
16 ing the amount of the tax deducted under section
17 3202(a) (or the amount of the tax under section
18 3211(a)).

19 “(3) COMPENSATION.—For purposes of this sub-
20 section, the term ‘compensation’ has the meaning given
21 to such term by section 3231(e).

22 “(f) COORDINATION WITH SECTION 6413(c).—For
23 purposes of subsection (c) of section 6413, in determining the
24 amount of the tax imposed by section 3101 or 3201, any
25 credit allowed by this section shall be taken into account.”

1 (2) CLERICAL AMENDMENT.—The table of sec-
2 tions for chapter 25 of such Code is amended by
3 adding at the end thereof the following new item.

 “Sec. 3510. Credit for increased social security employee taxes and
 railroad retirement tier 1 employee taxes imposed
 during 1984.”

4 (3) EFFECTIVE DATE.—The amendments made
5 by this subsection shall apply to remuneration paid
6 during 1984.

7 (4) DEPOSITS IN SOCIAL SECURITY TRUST
8 FUNDS.—For purposes of subsection (h) of section 218
9 of the Social Security Act (relating to deposits in social
10 security trust funds of amounts received under section
11 218 agreements), amounts allowed as a credit pursuant
12 to subsection (d) of section 3510 of the Internal Reve-
13 nue Code of 1954 (relating to credit for remuneration
14 paid during 1984 which is covered under an agreement
15 under section 218 of the Social Security Act) shall be
16 treated as amounts received under such an agreement.

17 (5) DEPOSITS IN RAILROAD RETIREMENT AC-
18 COUNT.—For purposes of subsection (a) of section 15
19 of the Railroad Retirement Act of 1974, amounts al-
20 lowed as a credit under subsection (e) of section 3510
21 of the Internal Revenue Code of 1954 shall be treated
22 as amounts covered into the Treasury under subsection
23 (a) of section 3201 of such Code.

1 SEC. 124. TAXES ON SELF-EMPLOYMENT INCOME; CREDIT
2 AGAINST SUCH TAXES.

3 (a) INCREASE IN RATES.—Subsections (a) and (b) of
4 section 1401 of the Internal Revenue Code of 1954 (relating
5 to rates of tax on self-employment income) are amended to
6 read as follows:

7 “(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-
8 ANCE.—In addition to other taxes, there shall be imposed for
9 each taxable year, on the self-employment income of every
10 individual, a tax equal to the following percent of the amount
11 of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1988.....	11.40
December 31, 1987	January 1, 1990.....	12.12
December 31, 1989.....		12.40

12 “(b) HOSPITAL INSURANCE.—In addition to the tax
13 imposed by the preceding subsection, there shall be imposed
14 for each taxable year, on the self-employment income of
15 every individual, a tax equal to the following percent of the
16 amount of the self-employment income for such taxable year:

“In the case of a taxable year

Beginning after:	And before:	Percent:
December 31, 1983	January 1, 1985.....	2.60
December 31, 1984	January 1, 1986.....	2.70
December 31, 1985.....		2.90.”

17 (b) CREDIT AGAINST SELF-EMPLOYMENT TAXES.—
18 Section 1401 of such Code is amended by redesignating sub-

1 section (c) as subsection (d) and by inserting after subsection
2 (b) the following new subsection:

3 “(c) CREDIT AGAINST TAXES IMPOSED BY THIS SEC-
4 TION.—

5 “(1) IN GENERAL.—There shall be allowed as a
6 credit against the taxes imposed by this section for any
7 taxable year an amount equal to 1.8 percent (1.9 per-
8 cent in the case of taxable years beginning after De-
9 cember 31, 1987) of the self-employment income of the
10 individual for such taxable year.

11 “(2) ADDITIONAL CREDIT FOR 1984.—In addi-
12 tion to the credit allowed by paragraph (1), there shall
13 be allowed as a credit against the taxes imposed by
14 this section for any taxable year beginning during 1984
15 an amount equal to $\frac{3}{10}$ of 1 percent of the self-em-
16 ployment income of the individual for such taxable
17 year.”

18 (c) EFFECTIVE DATE.—The amendments made by this
19 section shall apply to taxable years beginning after December
20 31, 1983.

21 ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

22 SEC. 125. (a) Section 201(b)(1) of the Social Security
23 Act is amended by striking out clauses (K) through (M) and
24 inserting in lieu thereof the following: “(K) 1.65 per centum
25 of the wages (as so defined) paid after December 31, 1981,

1 and before January 1, 1983, and so reported, (L) 1.25 per
2 centum of the wages (as so defined) paid after December 31,
3 1982, and before January 1, 1984, and so reported, (M) 1.00
4 per centum of the wages (as so defined) paid after December
5 31, 1983, and before January 1, 1990, and so reported, and
6 (N) 1.20 per centum of the wages (as so defined) paid after
7 December 31, 1989, and so reported,”.

8 (b) Section 201(b)(2) of such Act is amended by striking
9 out clauses (K) through (M) and inserting in lieu thereof the
10 following: “(K) 1.2375 per centum of the amount of self-
11 employment income (as so defined) so reported for any tax-
12 able year beginning after December 31, 1981, and before
13 January 1, 1983, (L) 0.9375 per centum of the amount of
14 self-employment income (as so defined) so reported for any
15 taxable year beginning after December 31, 1982, and before
16 January 1, 1984, (M) 1.00 per centum of the amount of self-
17 employment income (as so defined) so reported for any tax-
18 able year beginning after December 31, 1983, and before
19 January 1, 1990, and (N) 1.20 per centum of the self-em-
20 ployment income (as so defined) so reported for any taxable
21 year beginning after December 31, 1989,”.

PART D—BENEFITS FOR CERTAIN SURVIVING,
DIVORCED, AND DISABLED SPOUSES

BENEFITS FOR SURVIVING DIVORCED SPOUSES AND
DISABLED WIDOWS AND WIDOWERS WHO REMARRY

SEC. 131. (a)(1) Section 202(e)(3) of the Social Security
Act is repealed.

(2) Section 202(e)(4) of such Act is amended to read as
follows:

“(4) For purposes of paragraph (1), if—

“(A) a widow or surviving divorced wife marries
after attaining age 60 (or after attaining age 50 if she
was entitled before such marriage occurred to benefits
based on disability under this subsection), or

“(B) a disabled widow or disabled surviving di-
vorced wife described in paragraph (1)(B)(ii) marries
after attaining age 50,

such marriage shall be deemed not to have occurred.”.

(3)(A) Section 202(e) of such Act is further amended by
redesignating paragraph (4) (as amended by paragraph (2) of
this subsection), and paragraphs (5) through (8), as para-
graphs (3) through (7), respectively.

(B) Section 202(e)(1)(B)(ii) of such Act is amended by
striking out “(5)” and inserting in lieu thereof “(4)”.

1 (C) Section 202(e)(1)(F) of such Act is amended by strik-
2 ing out “(6)” in clause (i) and “(5)” in clause (ii) and inserting
3 in lieu thereof “(5)” and “(4)”, respectively.

4 (D) Section 202(e)(2)(A) of such Act is amended by
5 striking out “(8)” and inserting in lieu thereof “(7)”.

6 (E) The paragraph of section 202(e) of such Act redesign-
7 nated as paragraph (5) by subparagraph (A) of this paragraph
8 is amended by striking out “(5)” and inserting in lieu thereof
9 “(4)”.

10 (F) The paragraph of such section 202(e) redesignated
11 as paragraph (7) by subparagraph (A) of this paragraph is
12 amended by striking out “(4)” and inserting in lieu thereof
13 “(3)”.

14 (G) Section 202(k) of such Act is amended by striking
15 out “(e)(4)” each place it appears in paragraphs (2)(B) and
16 (3)(B) and inserting in lieu thereof “(e)(3)”.

17 (H) Section 226(e)(1)(A) of such Act is amended by
18 striking out “202(e)(5)” and inserting in lieu thereof
19 “202(e)(4)”.

20 (b)(1) Section 202(f)(4) of such Act is repealed.

21 (2) Section 202(f)(5) of such Act is amended to read as
22 follows:

23 “(5) For purposes of paragraph (1), if—

24 “(A) a widower marries after attaining age 60 (or
25 after attaining age 50 if he was entitled before such

1 marriage occurred to benefits based on disability under
2 this subsection), or

3 “(B) a disabled widower described in paragraph
4 (1)(B)(ii) marries after attaining age 50,
5 such marriage shall be deemed not to have occurred.”.

6 (3)(A) Section 202(f) of such Act is further amended by
7 redesignating paragraph (5) (as amended by paragraph (2) of
8 this subsection), and paragraphs (6) through (8), as para-
9 graphs (4) through (7), respectively.

10 (B) Section 202(f)(1)(B)(ii) of such Act is amended by
11 striking out “(6)” and inserting in lieu thereof “(5)”.

12 (C) Section 202(f)(1)(F) of such Act is amended by strik-
13 ing out “(7)” in clause (i) and “(6)” in clause (ii) and inserting
14 in lieu thereof “(6)” and “(5)”, respectively.

15 (D) Section 202(f)(2)(A) of such Act is amended by strik-
16 ing out “(5)” and inserting in lieu thereof “(4)”.

17 (E) The paragraph of section 202(f) of such Act redesignig-
18 nated as paragraph (6) by subparagraph (A) of this paragraph
19 is amended by striking out “(6)” and inserting in lieu thereof
20 “(5)”.

21 (F) Section 202(k) of such Act is amended by striking
22 out “(f)(5)” each place it appears in paragraphs (2)(B) and
23 (3)(B) and inserting in lieu thereof “(f)(4)”.

1 (G) Section 226(e)(1)(A) of such Act is amended by
2 striking out “202(f)(6)” and inserting in lieu thereof
3 “202(f)(5)”.

4 (c)(1) Section 202(s)(2) of such Act is amended by strik-
5 ing out “Subsection (f)(4), and so much of subsections (b)(3),
6 (d)(5), (e)(3), (g)(3), and (h)(4)” and inserting in lieu thereof
7 “So much of subsections (b)(3), (d)(5), (g)(3), and (h)(4)”.

8 (2) Section 202(s)(3) of such Act is amended by striking
9 out “(e)(3),”.

10 (d)(1) The amendments made by this section shall be
11 effective with respect to monthly benefits payable under title
12 II of the Social Security Act for months after December
13 1983.

14 (2) In the case of an individual who was not entitled to a
15 monthly benefit of the type involved under title II of such
16 Act for December 1983, no benefit shall be paid under such
17 title by reason of such amendments unless proper application
18 for such benefit is made.

19 ENTITLEMENT TO DIVORCED SPOUSE’S BENEFITS BEFORE
20 ENTITLEMENT OF INSURED INDIVIDUAL TO BENE-
21 FITS; EXEMPTION OF DIVORCED SPOUSE’S BENEFITS
22 FROM DEDUCTION ON ACCOUNT OF WORK

23 SEC. 132. (a) Section 202(b) of the Social Security Act
24 is amended by adding at the end thereof the following new
25 paragraph:

1 “(5)(A) Notwithstanding the preceding provisions of this
2 subsection, except as provided in subparagraph (B), the di-
3 vorced wife of an individual who is not entitled to old-age or
4 disability insurance benefits, but who has attained age 62 and
5 is a fully insured individual (as defined in section 214), if such
6 divorced wife—

7 “(i) meets the requirements of subparagraphs (A)
8 through (D) of paragraph (1), and

9 “(ii) has been divorced from such insured indi-
10 vidual for not less than 2 years,

11 shall be entitled to a wife’s insurance benefit under this sub-
12 section for each month, in such amount, and beginning and
13 ending with such months, as determined (under regulations of
14 the Secretary) in the manner otherwise provided for wife’s
15 insurance benefits under this subsection, as if such insured
16 individual had become entitled to old-age insurance benefits
17 on the date on which the divorced wife first meets the criteria
18 for entitlement set forth in clauses (i) and (ii).

19 “(B) A wife’s insurance benefit provided under this
20 paragraph which has not otherwise terminated in accordance
21 with subparagraph (E), (F), (H), or (J) of paragraph (1) shall
22 terminate with the month preceding the first month in which
23 the insured individual is no longer a fully insured individu-
24 al.”.

25 (b)(1)(A) Section 203(b) of such Act is amended—

1 (i) by inserting “(1)” after “(b)”;

2 (ii) by striking out “(1) such individual’s benefit”
3 and “(2) if such individual” and inserting in lieu there-
4 of “(A) such individual’s benefit” and “(B) if such indi-
5 vidual”, respectively;

6 (iii) by striking out “clauses (1) and (2)” and in-
7 serting in lieu thereof “clauses (A) and (B)”;

8 (iv) by striking out “(A) an individual” and “(B) if
9 a deduction” and inserting in lieu thereof “(i) an indi-
10 vidual” and “(ii) if a deduction”, respectively; and

11 (v) by adding at the end thereof the following new
12 paragraph:

13 “(2) When any of the other persons referred to in para-
14 graph (1)(B) is entitled to monthly benefits as a divorced
15 spouse under section 202 (b) or (c) for any month, the benefit
16 to which he or she is entitled on the basis of the wages and
17 self-employment income of the individual referred to in para-
18 graph (1) for such month shall be determined without regard
19 to this subsection, and the benefits of all other individuals
20 who are entitled for such month to monthly benefits under
21 section 202 on the basis of the wages and self-employment
22 income of such individual referred to in paragraph (1) shall be
23 determined as if no such divorced spouse were entitled to
24 benefits for such month.”.

25 (B)(i) Section 203(f)(1) of such Act is amended—

(I) in the first sentence, by inserting “(excluding surviving spouses referred to in subsection (b)(2))” after “all other persons” the first place it appears, and by striking out “all other persons” the second place it appears and inserting in lieu thereof “all such other persons”; and

(II) in the second sentence, by inserting “(excluding divorced spouses referred to in subsection (b)(2))” after “other persons”.

(ii) Section 203(f)(7) of such Act is amended by inserting “(excluding divorced spouses referred to in subsection (b)(2))” after “all persons”.

(2) Section 203(d)(1) of such Act is amended—

(A) by inserting “(A)” after “(d)(1)”; and

(B) by adding at the end thereof the following new subparagraph:

“(B) When any divorced spouse is entitled to monthly benefits under section 202 (b) or (c) for any month, the benefit to which he or she is entitled for such month on the basis of the wages and self-employment income of the individual entitled to old-age insurance benefits referred to in subparagraph (A) shall be determined without regard to this paragraph, and the benefits of all other individuals who are entitled for such month to monthly benefits under section 202 on the basis of the wages and self-employment income of such

1 individual referred to in subparagraph (A) shall be determined
 2 as if no such divorced spouse were entitled to benefits for
 3 such month.”.

4 (c)(1) The amendments made by subsection (a) shall
 5 apply with respect to monthly insurance benefits for months
 6 after December 1984, but only on the basis of applications
 7 filed on or after January 1, 1985.

8 (2) The amendments made by subsection (b) shall apply
 9 with respect to monthly insurance benefits for months after
 10 December 1984.

11 INDEXING OF DEFERRED SURVIVING SPOUSE’S BENEFITS
 12 TO RECENT WAGE LEVELS

13 SEC. 133. (a)(1) Section 202(e)(2) of the Social Security
 14 Act is amended—

15 (A) by redesignating subparagraph (B) as subpara-
 16 graph (D); and

17 (B) by striking out “(2)(A) Except” and all that
 18 follows down through “If such deceased individual”
 19 and inserting in lieu thereof the following:

20 “(2)(A) Except as provided in subsection (q), paragraph
 21 (8) of this subsection, and subparagraph (D) of this para-
 22 graph, such widow’s insurance benefit for each month shall
 23 be equal to the primary insurance amount (as determined for
 24 purposes of this subsection after application of subparagraphs
 25 (B) and (C)) of such deceased individual.

1 “(B)(i) For purposes of this subsection, in any case in
2 which such deceased individual dies before attaining age 62
3 and section 215(a)(1) (as in effect after December 1978) is
4 applicable in determining such individual’s primary insurance
5 amount—

6 “(I) such primary insurance amount shall be de-
7 termined under the formula set forth in section
8 215(a)(1)(B)(i) and (ii) which is applicable to individuals
9 who initially become eligible for old-age insurance
10 benefits in the second year after the year specified in
11 clause (ii),

12 “(II) the year specified in clause (ii) shall be sub-
13 stituted for the second calendar year specified in sec-
14 tion 215(b)(3)(A)(ii)(I), and

15 “(III) such primary insurance amount shall be in-
16 creased under section 215(i) as if it were the primary
17 insurance amount referred to in section
18 215(i)(2)(A)(ii)(II), except that it shall be increased only
19 for years beginning after the first year after the year
20 specified in clause (ii).

21 “(ii) The year specified in this clause is the earlier of—

22 “(I) the year in which the deceased individual at-
23 tained age 60, or would have attained age 60 had he
24 lived to that age, or

1 “(II) the second year preceding the year in which
2 the widow or surviving divorced wife first meets the
3 requirements of paragraph (1)(B) or the second year
4 preceding the year in which the deceased individual
5 died, whichever is later.

6 “(iii) This subparagraph shall apply with respect to any
7 benefit under this subsection only to the extent its application
8 does not result in a primary insurance amount for purposes of
9 this subsection which is less than the primary insurance
10 amount otherwise determined for such deceased individual
11 under section 215.

12 “(C) If such deceased individual”.

13 (2) Section 202(e) of such Act (as amended by para-
14 graph (1) of this subsection) is further amended—

15 (A) in paragraph (1)(D) and in the matter in para-
16 graph (1) following subparagraph (F)(ii), by inserting
17 “(as determined after application of subparagraphs (B)
18 and (C) of paragraph (2))” after “primary insurance
19 amount”; and

20 (B) in paragraph (2)(D)(ii), by inserting “(as deter-
21 mined without regard to subparagraph (C))” after “pri-
22 mary insurance amount”.

23 (b)(1) Section 202(f)(3) of such Act is amended—

24 (A) by redesignating subparagraph (B) as subpara-
25 graph (D); and

(B) by striking out “(3)(A) Except” and all that follows down through “If such deceased individual” and inserting in lieu thereof the following:

“(3)(A) Except as provided in subsection (q), paragraph (2) of this subsection, and subparagraph (D) of this paragraph, such widower’s insurance benefit for each month shall be equal to the primary insurance amount (as determined for purposes of this subsection after application of subparagraphs (B) and (C)) of such deceased individual.

“(B)(i) For purposes of this subsection, in any case in which such deceased individual dies before attaining age 62 and section 215(a)(1) (as in effect after December 1978) is applicable in determining such individual’s primary insurance amount—

“(I) such primary insurance amount shall be determined under the formula set forth in section 215(a)(1)(B) (i) and (ii) which is applicable to individuals who initially become eligible for old-age insurance benefits in the second year after the year specified in clause (ii),

“(II) the year specified in clause (ii) shall be substituted for the second calendar year specified in section 215(b)(3)(A)(ii)(I), and

“(III) such primary insurance amount shall be increased under section 215(i) as if it were the primary

1 insurance amount referred to in section
2 215(i)(2)(A)(ii)(II), except that it shall be increased only
3 for years beginning after the first year after the year
4 specified in clause (ii).

5 “(ii) The year specified in this clause is the earlier of—

6 “(I) the year in which the deceased individual at-
7 tained age 60, or would have attained age 60 had she
8 lived to that age, or

9 “(II) the second year preceding the year in which
10 the widower first meets the requirements of paragraph
11 (1)(B) or the second year preceding the year in which
12 the deceased individual died, whichever is later.

13 “(iii) This subparagraph shall apply with respect to any
14 benefit under this subsection only to the extent its application
15 does not result in a primary insurance amount for purposes of
16 this subsection which is less than the primary insurance
17 amount otherwise determined for such deceased individual
18 under section 215.

19 “(C) If such deceased individual”.

20 (2) Section 202(f) of such Act (as amended by paragraph
21 (1) of this subsection) is further amended—

22 (A) in paragraph (1)(D) and in the matter in para-
23 graph (1) following subparagraph (F)(ii), by inserting

24 “(as determined after application of subparagraphs (B)

1 and (C) of paragraph (3))” after “primary insurance
2 amount”; and

3 (B) in paragraph (3)(D)(ii), by inserting “(as deter-
4 mined without regard to subparagraph (C))” after “pri-
5 mary insurance amount”.

6 (c) The amendments made by this section shall apply
7 with respect to monthly insurance benefits for months after
8 December 1984 for individuals who first meet all criteria for
9 entitlement to benefits under section 202 (e) or (f) of the
10 Social Security Act (other than making application for such
11 benefits) after December 1984.

12 LIMITATION ON BENEFIT REDUCTION FOR EARLY RETIRE-
13 MENT IN CASE OF DISABLED WIDOWS AND WIDOW-
14 ERS

15 SEC. 134. (a)(1) Section 202(q)(1) of the Social Security
16 Act is amended by striking out the semicolon at the end of
17 subparagraph (B)(ii) and all that follows and inserting in lieu
18 thereof a period.

19 (2)(A) Section 202(q)(6) of such Act is amended to read
20 as follows:

21 “(6) For purposes of this subsection, the ‘reduction
22 period’ for an individual’s old-age, wife’s, husband’s,
23 widow’s, or widower’s insurance benefit is the period—

24 “(A) beginning—

1 “(i) in the case of an old-age or husband’s in-
2 surance benefit, with the first day of the first
3 month for which such individual is entitled to such
4 benefit,

5 “(ii) in the case of a wife’s insurance benefit,
6 with the first day of the first month for which a
7 certificate described in paragraph (5)(A)(i) is effec-
8 tive, or

9 “(iii) in the case of a widow’s or widower’s
10 insurance benefit, with the first day of the first
11 month for which such individual is entitled to such
12 benefit or the first day of the month in which such
13 individual attains age 60, whichever is the later,
14 and

15 “(B) ending with the last day of the month before
16 the month in which such individual attains retirement
17 age.”.

18 (B) Section 202(q)(3)(G) of such Act is amended by
19 striking out “paragraph (6)(A) (or, if such paragraph does not
20 apply, the period specified in paragraph (6)(B))” and inserting
21 in lieu thereof “paragraph (6)”.

22 (C) Section 202(q) of such Act is further amended, in
23 paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii)(I), by striking out
24 “paragraph (6)(A)” and inserting in lieu thereof “paragraph
25 (6)”.

1 (3) Section 202(q)(7) of such Act is amended by striking
2 out the matter preceding subparagraph (A) and inserting in
3 lieu thereof the following:

4 “(7) For purposes of this subsection, the ‘adjusted re-
5 duction period’ for an individual’s old-age, wife’s, husband’s,
6 widow’s, or widower’s insurance benefit is the reduction
7 period prescribed in paragraph (6) for such benefit, exclud-
8 ing—”.

9 (4) Section 202(q)(10) of such Act is amended—

10 (A) in that part of the second sentence preceding
11 clause (A), by striking out “or an additional adjusted
12 reduction period”;

13 (B) in clauses (B)(i) and (C)(i), by striking out “,
14 plus the number of months in the adjusted additional
15 reduction period multiplied by $4\frac{3}{240}$ of 1 percent”;

16 (C) in clause (B)(ii), by striking out “plus the
17 number of months in the additional reduction period
18 multiplied by $4\frac{3}{240}$ of 1 percent,”; and

19 (D) in clause (C)(ii), by striking out “plus the
20 number of months in the adjusted additional reduction
21 period multiplied by $4\frac{3}{240}$ of 1 percent.”.

22 (b) Section 202(m)(2)(B) of such Act (as applicable after
23 the enactment of section 2 of Public Law 97-123) is amend-
24 ed by striking out “subsection (q)(6)(A)(ii)” and inserting in
25 lieu thereof “subsection (q)(6)(B)”.

1 (c) The amendments made by this section shall apply
2 with respect to benefits for months after December 1983.

3 PART E—MECHANISMS TO ASSURE CONTINUED BENEFIT

4 PAYMENTS IN UNEXPECTEDLY ADVERSE CONDITIONS

5 NORMALIZED CREDITING OF SOCIAL SECURITY TAXES TO

6 TRUST FUNDS

7 SEC. 141. (a)(1) The last sentence of section 201(a) of
8 the Social Security Act is amended—

9 (A) by striking out “from time to time” each
10 place it appears and inserting in lieu thereof “monthly
11 on the first day of each calendar month”; and

12 (B) by striking out “paid to or deposited into the
13 Treasury” and inserting in lieu thereof “to be paid to
14 or deposited into the Treasury during such month”.

15 (2) Section 201(a) of such Act is further amended by
16 adding at the end thereof the following new sentence: “All
17 amounts transferred to either Trust Fund under the preced-
18 ing sentence shall be invested by the Managing Trustee in
19 the same manner and to the same extent as the other assets
20 of such Trust Fund; and such Trust Fund shall pay interest
21 to the general fund on the amount so transferred on the first
22 day of any month at a rate (calculated on a daily basis, and
23 applied against the difference between the amount so trans-
24 ferred on such first day and the amount which would have
25 been transferred to the Trust Fund up to that day under the

1 procedures in effect on January 1, 1983) equal to the rate
2 earned by the investments of such Fund in the same month
3 under subsection (d).”.

4 (b)(1) The last sentence of section 1817(a) of such Act is
5 amended—

6 (A) by striking out “from time to time” and in-
7 serting in lieu thereof “monthly on the first day of
8 each calendar month”; and

9 (B) by striking out “paid to or deposited into the
10 Treasury” and inserting in lieu thereof “to be paid to
11 or deposited into the Treasury during such month”.

12 (2) Section 1817(a) of such Act is further amended by
13 adding at the end thereof the following new sentence: “All
14 amounts transferred to the Trust Fund under the preceding
15 sentence shall be invested by the Managing Trustee in the
16 same manner and to the same extent as the other assets of
17 the Trust Fund; and the Trust Fund shall pay interest to the
18 general fund on the amount so transferred on the first day of
19 any month at a rate (calculated on a daily basis, and applied
20 against the difference between the amount so transferred on
21 such first day and the amount which would have been trans-
22 ferred to the Trust Fund up to that day under the procedures
23 in effect on January 1, 1983) equal to the rate earned by the
24 investments of the Trust Fund in the same month under sub-
25 section (c).”.

1 (c) The amendments made by this section shall become
2 effective on the first day of the month following the month in
3 which this Act is enacted.

4 INTERFUND BORROWING EXTENSION

5 SEC. 142. (a) Sections 201(l)(1) and 1817(j)(1) of the
6 Social Security Act are each amended by striking out "Janu-
7 ary 1983" and inserting in lieu thereof "January 1, 1988".

8 (b) Sections 201(l)(3) and 1817(j)(3) of such Act are
9 each amended by inserting before the period at the end there-
10 of the following: "; but the full amount of all such loans
11 (whether made before or after January 1, 1983) shall be
12 repaid at the earliest feasible date and in any event no later
13 than December 31, 1989.".

14 RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY
15 INADEQUATE BALANCES IN THE SOCIAL SECURITY
16 TRUST FUNDS

17 SEC. 143. Title VII of the Social Security Act is
18 amended by adding at the end thereof the following new sec-
19 tion:

20 "RECOMMENDATIONS BY BOARD OF TRUSTEES TO REMEDY
21 INADEQUATE BALANCES IN THE SOCIAL SECURITY
22 TRUST FUNDS

23 "SEC. 709. If the Board of Trustees of the Federal Old-
24 Age and Survivors Insurance Trust Fund, the Federal Dis-
25 ability Insurance Trust Fund, the Federal Hospital Insurance

1 Trust Fund, or the Federal Supplementary Medical Insur-
 2 ance Trust Fund determines at any time that the balance of
 3 such Trust Fund may become inadequate to assure the timely
 4 payment of benefits from such Trust Fund, the Board shall
 5 promptly submit to each House of the Congress a report set-
 6 ting forth its recommendations for statutory adjustments af-
 7 fecting the receipts and disbursements to and from such Trust
 8 Fund necessary to remedy such inadequacy, with due regard
 9 to the economic conditions which created such inadequacy
 10 and the amount of time necessary to alleviate such inadequa-
 11 cy in a prudent manner.”.

12 PART F—OTHER FINANCING AMENDMENTS

13 FINANCING OF NONCONTRIBUTORY MILITARY WAGE

14 CREDITS

15 SEC. 151. (a) Section 217(g) of the Social Security Act
 16 is amended to read as follows:

17 “Appropriation to Trust Funds

18 “(g)(1) Within thirty days after the date of the enact-
 19 ment of the Social Security Amendments of 1983, the Secre-
 20 tary shall determine the amount equal to the excess of—

21 “(A) the actuarial present value as of such date of
 22 enactment of the past and future benefit payments from
 23 the Federal Old-Age and Survivors Insurance Trust
 24 Fund, the Federal Disability Insurance Trust Fund,
 25 and the Federal Hospital Insurance Trust Fund under

1 this title and title XVIII, together with associated ad-
2 ministrative costs, resulting from the operation of this
3 section (other than this subsection) and section 210 of
4 this Act as in effect before the enactment of the Social
5 Security Act Amendments of 1950, over

6 “(B) any amounts previously transferred from the
7 general fund of the Treasury to such Trust Funds pur-
8 suant to the provisions of this subsection as in effect
9 immediately before the date of the enactment of the
10 Social Security Act Amendments of 1983.

11 Such actuarial present value shall be based on the relevant
12 actuarial assumptions set forth in the report of the Board of
13 Trustees of each such Trust Fund for 1983 under sections
14 201(c) and 1817(b). Within thirty days after the date of the
15 enactment of the Social Security Act Amendments of 1983,
16 the Secretary of the Treasury shall transfer the amount de-
17 termined under this paragraph with respect to each such
18 Trust Fund to such Trust Fund from amounts in the general
19 fund of the Treasury not otherwise appropriated.

20 “(2) The Secretary shall revise the amount determined
21 under paragraph (1) with respect to each such Trust Fund in
22 1985 and each fifth year thereafter, as determined appropri-
23 ate by the Secretary from data which becomes available to
24 him after the date of the determination under paragraph (1)
25 on the basis of the amount of benefits and administrative ex-

1 pensates actually paid from such Trust Fund under this title or
2 title XVIII and the relevant actuarial assumptions set forth
3 in the report of the Board of Trustees of such Trust Fund for
4 such year under section 201(c) or 1817(b). Within 30 days
5 after any such revision, the Secretary of the Treasury, to the
6 extent provided in advance in appropriation Acts, shall trans-
7 fer to such Trust Fund, from amounts in the general fund of
8 the Treasury not otherwise appropriated, or from such Trust
9 Fund to the general fund of the Treasury, such amounts as
10 the Secretary of the Treasury determines necessary to com-
11 pensate for such revision.”.

12 (b)(1) Section 229(b) of such Act is amended to read as
13 follows:

14 “(b) There are authorized to be appropriated to each of
15 the Trust Funds, consisting of the Federal Old-Age and Sur-
16 vivors Insurance Trust Fund, the Federal Disability Insur-
17 ance Trust Fund, and the Federal Hospital Insurance Trust
18 Fund, for transfer on July 1 of each calendar year to such
19 Trust Fund from amounts in the general fund in the Treasury
20 not otherwise appropriated, an amount equal to the total of
21 the additional amounts which would be appropriated to such
22 Trust Fund for the fiscal year ending September 30 of such
23 calendar year under section 201 or 1817 of this Act if the
24 amounts of the additional wages deemed to have been paid
25 for such calendar year by reason of subsection (a) constituted

1 remuneration for employment (as defined in section 3121(b)
2 of the Internal Revenue Code of 1954) for purposes of the
3 taxes imposed by sections 3101 and 3111 of the Internal
4 Revenue Code of 1954. Amounts authorized to be appropri-
5 ated under this subsection for transfer on July 1 of each cal-
6 endar year shall be determined on the basis of estimates of
7 the Secretary of the wages deemed to be paid for such calen-
8 dar year under subsection (a); and proper adjustments shall
9 be made in amounts authorized to be appropriated for subse-
10 quent transfer to the extent prior estimates were in excess of
11 or were less than such wages so deemed to be paid.”.

12 (2) The amendment made by paragraph (1) shall be ef-
13 fective with respect to wages deemed to have been paid for
14 calendar years after 1982.

15 (3)(A) Within thirty days after the date of the enactment
16 of this Act, the Secretary of Health and Human Services
17 shall determine the additional amounts which would have
18 been appropriated to the Federal Old-Age and Survivors In-
19 surance Trust Fund, the Federal Disability Insurance Trust
20 Fund, and the Federal Hospital Insurance Trust Fund under
21 sections 201 and 1817 of the Social Security Act if the addi-
22 tional wages deemed to have been paid under section 229(a)
23 of the Social Security Act prior to 1983 had constituted re-
24 muneration for employment (as defined in section 3121(b) of
25 the Internal Revenue Code of 1954) for purposes of the taxes

1 imposed by sections 3101 and 3111 of the Internal Revenue
2 Code of 1954, and the amount of interest which would have
3 been earned on such amounts if they had been so appropri-
4 ated.

5 (B)(i) Within thirty days after the date of the enactment
6 of this Act, the Secretary of the Treasury shall transfer to
7 each such Trust Fund, from amounts in the general fund of
8 the Treasury not otherwise appropriated, an amount equal to
9 the amount determined with respect to such Trust Fund
10 under subparagraph (A), less any amount appropriated to
11 such Trust Fund pursuant to the provisions of section 229(b)
12 of the Social Security Act prior to the date of the determina-
13 tion made under paragraph (1) with respect to wages deemed
14 to have been paid for calendar years prior to 1983.

15 (ii) The Secretary of Health and Human Services shall
16 revise the amount determined under clause (i) with respect to
17 each such Trust Fund within one year after the date of the
18 transfer made to such Trust Fund under clause (i), as deter-
19 mined appropriate by such Secretary from data which be-
20 comes available to him after the date of the transfer under
21 clause (i). Within 30 days after any such revision, the Secre-
22 tary of the Treasury shall transfer to such Trust Fund, from
23 amounts in the general fund of the Treasury not otherwise
24 appropriated, or from such Trust Fund to the general fund of
25 the Treasury, such amounts as the Secretary of Health and

1 Human Services certifies as necessary to compensate for
2 such revision.

3 ACCOUNTING FOR CERTAIN UNNEGOTIATED CHECKS FOR
4 BENEFITS UNDER THE SOCIAL SECURITY PROGRAM

5 SEC. 152. (a) Section 201 of the Social Security Act (as
6 amended by section 143 of this Act) is further amended by
7 adding at the end thereof the following new subsection:

8 “(n)(1) The Secretary of the Treasury shall implement
9 procedures to permit the identification of each check issued
10 for benefits under this title that has not been presented for
11 payment by the close of the sixth month following the month
12 of its issuance.

13 “(2) The Secretary of the Treasury shall, on a monthly
14 basis, credit each of the Trust Funds for the amount of all
15 benefit checks (including interest thereon) drawn on such
16 Trust Fund more than 6 months previously but not presented
17 for payment and not previously credited to such Trust Fund.

18 “(3) If a benefit check is presented for payment to the
19 Treasury and the amount thereof has been previously cred-
20 ited pursuant to paragraph (2) to one of the Trust Funds, the
21 Secretary of the Treasury shall nevertheless pay such check,
22 if otherwise proper, recharge such Trust Fund, and notify the
23 Secretary of Health and Human Services.

24 “(4) A benefit check bearing a current date may be
25 issued to an individual who did not negotiate the original

1 benefit check and who surrenders such check for cancellation
2 if the Secretary of the Treasury determines it is necessary to
3 effect proper payment of benefits.”.

4 (b) The amendment made by subsection (a) shall apply
5 with respect to all checks for benefits under title II of the
6 Social Security Act which are issued on or after the first day
7 of the twenty-fourth month following the month in which this
8 Act is enacted.

9 (c)(1) The Secretary of the Treasury shall transfer from
10 the general fund of the Treasury to the Federal Old-Age and
11 Survivors Insurance Trust Fund and to the Federal Disabil-
12 ity Insurance Trust Fund, in the month following the month
13 in which this Act is enacted and in each of the succeeding 30
14 months, such sums as may be necessary to reimburse such
15 Trust Funds in the total amount of all checks (including in-
16 terest thereon) which he and the Secretary of Health and
17 Human Services jointly determine to be unnegotiated benefit
18 checks. After any amounts authorized by this subsection have
19 been transferred to a Trust Fund with respect to any benefit
20 check, the provisions of paragraphs (3) and (4) of section
21 201(m) of the Social Security Act (as added by subsection (a)
22 of this section) shall be applicable to such check.

23 (2) As used in paragraph (1), the term “unnegotiated
24 benefit checks” means checks for benefits under title II of the
25 Social Security Act which are issued prior to the twenty-

1 fourth month following the month in which this Act is en-
2 acted, which remain unnegotiated after the sixth month fol-
3 lowing the date on which they were issued, and with respect
4 to which no transfers have previously been made in accord-
5 ance with the first sentence of such paragraph.

6 TITLE II—ADDITIONAL PROVISIONS RELATING
7 TO LONG-TERM FINANCING OF THE SOCIAL
8 SECURITY SYSTEM

9 INCREASE IN RETIREMENT AGE

10 SEC. 201. (a) Section 216 of the Social Security Act is
11 amended by adding at the end thereof the following new sub-
12 section:

13 “Retirement Age

14 “(1)(1) The term ‘retirement age’ means—

15 “(A) with respect to an individual who attains
16 early retirement age (as defined in paragraph (2))
17 before January 1, 2000, 65 years of age;

18 “(B) with respect to an individual who attains
19 early retirement age after December 31, 1999, and
20 before January 1, 2005, 65 years of age plus the
21 number of months in the age increase factor (as deter-
22 mined under paragraph (3)) for the calendar year in
23 which such individual attains early retirement age;

1 “(C) with respect to an individual who attains
2 early retirement age after December 31, 2004, and
3 before January 1, 2017, 66 years of age;

4 “(D) with respect to an individual who attains
5 early retirement age after December 31, 2016, and
6 before January 1, 2022, 66 years of age plus the
7 number of months in the age increase factor (as deter-
8 mined under paragraph (3)) for the calendar year in
9 which such individual attains early retirement age; and

10 “(E) with respect to an individual who attains
11 early retirement age after December 31, 2021, 67
12 years of age.

13 “(2) The term ‘early retirement age’ means age 62 in
14 the case of an old-age, wife’s, or husband’s insurance benefit,
15 and age 60 in the case of a widow’s or widower’s insurance
16 benefit.

17 “(3) The age increase factor for any individual who at-
18 tains early retirement age in a calendar year within the
19 period to which subparagraph (B) or (D) of paragraph (1)
20 applies shall be determined as follows:

21 “(A) With respect to an individual who attains
22 early retirement age in the 5-year period consisting of
23 the calendar years 2000 through 2004, the age in-
24 crease factor shall be equal to two-twelfths of the
25 number of months in the period beginning with Janu-

1 ary 2000 and ending with December of the year in
2 which the individual attains early retirement age.

3 “(B) With respect to an individual who attains
4 early retirement age in the 5-year period consisting of
5 the calendar years 2017 through 2021, the age in-
6 crease factor shall be equal to two-twelfths of the
7 number of months in the period beginning with Janu-
8 ary 2017 and ending with December of the year in
9 which the individual attains early retirement age.”.

10 (b)(1) Section 202(q)(9) of such Act is amended to read
11 as follows:

12 “(9) The reduction factors for early retirement specified
13 in paragraph (1) shall be periodically revised by the Secretary
14 so that—

15 “(A) in the case of old-age insurance benefits,
16 wife’s insurance benefits, and husband’s insurance
17 benefits, the reduction factors applicable to an individu-
18 al initially becoming entitled to such benefits at an age
19 not more than 3 years less than the retirement age ap-
20 plicable to such individual will be the same as those
21 specified in paragraph (1), and the reduction factors for
22 each month below the age which is 3 years lower than
23 the applicable retirement age shall each be five-
24 twelfths of 1 percent; and

1 “(B) in the case of widow’s insurance benefits and
2 widower’s insurance benefits, the reduction factors ap-
3 plicable to an individual initially becoming entitled to
4 such benefits at early retirement age shall be the same
5 as those specified in paragraph (1), and the reduction
6 factors applicable to individuals initially becoming enti-
7 tled to such benefits at a greater age shall each be es-
8 tablished by linear interpolation between the applicable
9 reduction factor for such early retirement age and a
10 factor of unity at the applicable retirement age.”.

11 (2) Section 202(q)(1) of such Act is amended by striking
12 out “If” and inserting in lieu thereof “Subject to paragraph
13 (9), if”.

14 (c) Title II of the Social Security Act is further amend-
15 ed—

16 (1) by striking out “age 65” or “age of 65”, as
17 the case may be, each place it appears in the following
18 sections and inserting in lieu thereof in each instance
19 “retirement age (as defined in section 216(l))”:

20 (A) subsections (a), (b), (c), (d), (e), (f), (q),
21 (r), and (w) of section 202,

22 (B) subsections (c) and (f) of section 203,

23 (C) subsection (f) of section 215,

24 (D) subsections (h) and (i) of section 216, and

25 (E) section 223(a);

1 (2) by striking out "age sixty-five" in section
2 203(c) and inserting in lieu thereof "retirement age (as
3 defined in section 216(l))"; and

4 (3) by striking out "age of sixty-five" in section
5 223(a) and inserting in lieu thereof "retirement age (as
6 defined in section 216(l))".

7 (d) The Secretary shall conduct a comprehensive study
8 and analysis of the implications of the changes made by this
9 section in retirement age in the case of those individuals (af-
10 fected by such changes) who, because they are engaged in
11 physically demanding employment or because they are unable
12 to extend their working careers for health reasons, may not
13 benefit from improvements in longevity. The Secretary shall
14 submit to the Congress no later than January 1, 1986, a full
15 report on the study and analysis. Such report shall include
16 any recommendations for legislative changes, including rec-
17 ommendations with respect to the provision of protection
18 against the risks associated with early retirement due to
19 health considerations, which the Secretary finds necessary or
20 desirable as a result of the findings contained in this study.

TITLE III—MISCELLANEOUS AND TECHNICAL
PROVISIONS

PART A—CASH MANAGEMENT

FLOAT PERIODS

SEC. 301. (a) The Secretary of Health and Human Services and the Secretary of the Treasury shall jointly undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the period of time (hereafter in this section referred to as the “float period”) between the issuance of checks from the general fund of the Treasury in payment of monthly insurance benefits under title II of the Social Security Act and the transfer to the general fund from the Federal Old-Age and Survivors Insurance Trust Fund or the Federal Disability Insurance Trust Fund, as applicable, of the amounts necessary to compensate the general fund for the issuance of such checks. Each such Secretary shall consult the other regularly during the course of the study and shall, as appropriate, provide the other with such information and assistance as he may require.

(b) The study shall include—

(1) an investigation of the feasibility and desirability of maintaining the float periods which are allowed as of the date of the enactment of this section in the procedures governing the payment of monthly insurance benefits under title II of the Social Security Act,

1 and of the general feasibility and desirability of making
2 adjustments in such procedures with respect to float
3 periods; and

4 (2) a separate investigation of the feasibility and
5 desirability of providing, as a specific form of adjust-
6 ment in such procedures with respect to float periods,
7 for the transfer each day to the general fund of the
8 Treasury from the Federal Old-Age and Survivors In-
9 surance Trust Fund and the Federal Disability Insur-
10 ance Trust Fund, as appropriate, of amounts equal to
11 the amounts of the checks referred to in subsection (a)
12 which are paid by the Federal Reserve Banks on such
13 day.

14 (c) In conducting the study required by subsection (a),
15 the Secretaries shall consult, as appropriate, the Director of
16 the Office of Management and Budget, and the Director shall
17 provide the Secretaries with such information and assistance
18 as they may require. The Secretaries shall also solicit the
19 views of other appropriate officials and organizations.

20 (d)(1) Not later than six months after the date of the
21 enactment of this Act, the Secretaries shall submit to the
22 President and the Congress a report of the findings of the
23 investigation required by subsection (b)(1), and the Secretary
24 of the Treasury shall by regulation make such adjustments in
25 the procedures governing the payment of monthly insurance

1 benefits under title II of the Social Security Act with respect
2 to float periods (other than adjustments in the form described
3 in subsection (b)(2)) as may have been found in such investi-
4 gation to be necessary or appropriate.

5 (2) Not later than twelve months after the date of the
6 enactment of this Act, the Secretaries shall submit to the
7 President and the Congress a report of the findings of the
8 separate investigation required by subsection (b)(2), together
9 with their recommendations with respect thereto; and, to the
10 extent necessary or appropriate to carry out such recommen-
11 dations, the Secretary of the Treasury shall by regulation
12 make adjustments in the procedures with respect to float pe-
13 riods in the form described in such subsection.

14 SEC. 302. (a) Section 218(j) of the Social Security Act
15 is amended—

16 (1) by inserting “(1)” after “(j)”,

17 (2) by striking out “the rate of 6 per centum per
18 annum” and inserting in lieu thereof “the applicable
19 rate determined in accordance with paragraph (2)”,
20 and

21 (3) by adding at the end thereof the following new
22 paragraph:

23 “(2) For purposes of paragraph (1), the rate of interest
24 applicable to late payments outstanding during the six-month
25 period beginning on January 1, 1984, shall be 9.0 percent

1 per annum. The rate of interest applicable to late payments
2 outstanding during the six-month period beginning on July 1,
3 1984, and subsequent six-month periods beginning on Janu-
4 ary 1 or July 1 thereafter, shall be determined by the Secre-
5 tary of the Treasury not later than 15 days after the end of
6 the base period described in the following sentence and shall
7 be an annual rate equal to the average (rounded to the near-
8 est full percent, or the next higher percent if it is a multiple
9 of 0.5 percent but not of 1.0 percent) of the annual rates of
10 interest applicable to the special obligations issued to the
11 Trust Funds (in accordance with section 201(d)) in each
12 month of such base period. The 'base period' for the rate
13 effective on January 1 of a year is the six-month period
14 ending on the immediately preceding September 30, and the
15 base period for the rate effective on July 1 of a year is the
16 six-month period ending on the immediately preceding March
17 31."

18 (b) The amendments made by this section shall apply
19 with respect to payments made after December 31, 1983,
20 under an agreement pursuant to section 218 of the Social
21 Security Act.

22 TRUST FUND INVESTMENT PROCEDURES

23 SEC. 303. (a)(1) Section 201(d) of the Social Security
24 Act is amended by striking out the second and third sen-
25 tences and inserting in lieu thereof the following: "Such in-

1 vestments may be made only in interest-bearing public-debt
2 obligations of the United States which are issued exclusively
3 for purchase by the Trust Funds under title 31 of the United
4 States Code.”.

5 (2) The fifth sentence of such section 201(d) is amended
6 to read as follows: “Such obligations shall be redeemable at
7 par plus accrued interest at any time, and shall bear interest
8 in any month (including the month of issue) at a rate equiva-
9 lent to either (1) the average market yield (determined by the
10 Managing Trustee on the basis of market quotations as of the
11 end of each business day of the preceding month) on all mar-
12 ketable interest-bearing obligations of the United States then
13 forming a part of the public debt (other than ‘flower bonds’)
14 which are not due or callable until after the expiration of 4
15 years from the end of such preceding month, or (2) the aver-
16 age market yield (so determined) on all such obligations
17 which are due or callable 4 years or less from the end of such
18 preceding month, whichever average market yield (with re-
19 spect to the month involved) is larger; except that where
20 such equivalent interest rate is not a multiple of one-eighth of
21 1 percent, the rate of interest on the obligations involved
22 shall be the multiple of one-eighth of 1 percent nearest such
23 equivalent rate.”.

24 (3) Section 201(d) of such Act is further amended by
25 striking out the last sentence, and by inserting in lieu thereof

1 the following: "For purposes of the preceding sentence, the
2 term 'flower bond' means a United States Treasury bond
3 which was issued before March 4, 1971, and which may, at
4 the option of the duly constituted representative of the estate
5 of a deceased individual, be redeemed in advance of maturity
6 and at par (face) value plus accrued interest to the date of
7 payment if (i) it was owned by such deceased individual at
8 the time of his death, (ii) it is part of the estate of such de-
9 ceased individual, and (iii) such representative authorizes the
10 Secretary of the Treasury to apply the entire proceeds of the
11 redemption of such bond to the payment of Federal estate
12 taxes."

13 (b)(1) Section 1817(c) of such Act is amended by strik-
14 ing out the second and third sentences and inserting in lieu
15 thereof the following: "Such investments may be made only
16 in interest-bearing public-debt obligations of the United
17 States which are issued exclusively for purchase by the Trust
18 Funds under title 31 of the United States Code."

19 (2) The fifth sentence of such section 1817(c) is amend-
20 ed to read as follows: "Such obligations shall be redeemable
21 at par plus accrued interest at any time, and shall bear inter-
22 est in any month (including the month of issue) at a rate
23 equivalent to either (1) the average market yield (determined
24 by the Managing Trustee on the basis of market quotations as
25 of the end of each business day of the preceding month) on all

1 marketable interest-bearing obligations of the United States
2 then forming a part of the public debt (other than 'flower
3 bonds') which are not due or callable until after the expira-
4 tion of 4 years from the end of such preceding month, or (2)
5 the average market yield (so determined) on all such obliga-
6 tions which are due or callable 4 years or less from the end of
7 such preceding month, whichever average market yield (with
8 respect to the month involved) is larger; except that where
9 such equivalent interest rate is not a multiple of one-eighth of
10 1 percent, the rate of interest on the obligations involved
11 shall be the multiple of one-eighth of 1 percent nearest such
12 equivalent rate."

13 (3) Section 1817(c) of such Act is further amended by
14 striking out the last sentence, and by inserting in lieu thereof
15 the following: "For purposes of the preceding sentence, the
16 term 'flower bond' means a United States Treasury bond
17 which was issued before March 4, 1971, and which may, at
18 the option of the duly constituted representative of the estate
19 of a deceased individual, be redeemed in advance of maturity
20 and at par (face) value plus accrued interest to the date of
21 payment if (i) it was owned by such deceased individual at
22 the time of his death, (ii) it is part of the estate of such de-
23 ceased individual, and (iii) such representative authorizes the
24 Secretary of the Treasury to apply the entire proceeds of the

1 redemption of such bond to the payment of Federal estate
2 taxes.”.

3 (c)(1) Section 1841(c) of such Act is amended by striking
4 out the second and third sentences and inserting in lieu there-
5 of the following: “Such investments may be made only in
6 interest-bearing public-debt obligations of the United States
7 which are issued exclusively for purchase by the Trust Funds
8 under title 31 of the United States Code.”.

9 (2) The fifth sentence of such section 1841(c) is amend-
10 ed to read as follows: “Such obligations shall be redeemable
11 at par plus accrued interest at any time, and shall bear inter-
12 est in any month (including the month of issue) at a rate
13 equivalent to either (1) the average market yield (determined
14 by the Managing Trustee on the basis of market quotations as
15 of the end of each business day of the preceding month) on all
16 marketable interest-bearing obligations of the United States
17 then forming a part of the public debt (other than ‘flower
18 bonds’) which are not due or callable until after the expira-
19 tion of 4 years from the end of such preceding month, or (2)
20 the average market yield (so determined) on all such obliga-
21 tions which are due or callable 4 years or less from the end of
22 such preceding month, whichever average market yield (with
23 respect to the month involved) is larger; except that where
24 such equivalent interest rate is not a multiple of one-eighth of
25 1 percent, the rate of interest on the obligations involved

1 shall be the multiple of one-eighth of 1 percent nearest such
2 equivalent rate.”.

3 (3) Section 1841(c) of such Act is further amended by
4 striking out the last sentence, and by inserting in lieu thereof
5 the following: “For purposes of the preceding sentence, the
6 term ‘flower bond’ means a United States Treasury bond
7 which was issued before March 4, 1971, and which may, at
8 the option of the duly constituted representative of the estate
9 of a deceased individual, be redeemed in advance of maturity
10 and at par (face) value plus accrued interest to the date of
11 payment if (i) it was owned by such deceased individual at
12 the time of his death, (ii) it is part of the estate of such de-
13 ceased individual, and (iii) such representative authorizes the
14 Secretary of the Treasury to apply the entire proceeds of the
15 redemption of such bond to the payment of Federal estate
16 taxes.”.

17 (d)(1) Not later than the date on which the amendments
18 made by this section become effective under subsection (f),
19 the Secretary of the Treasury shall—

20 (A) redeem at par plus accrued interest all out-
21 standing obligations of the United States issued under
22 the Second Liberty Bond Act or title 31 of the United
23 States Code exclusively for purchase by (and then held
24 by) the Federal Old-Age Insurance Trust Fund, the
25 Federal Disability Insurance Trust Fund, the Federal

1 Hospital Insurance Trust Fund, and the Federal Sup-
2 plementary Medical Insurance Trust Fund (hereinafter
3 in this subsection referred to as the "Trust Funds");

4 (B) redeem at market rates all "flower bonds" (as
5 defined in the last sentence of sections 201(d), 1817(c),
6 and 1841(c) of the Social Security Act as amended by
7 this section) then held by the Trust Funds; and

8 (C) reinvest the proceeds (from the redemptions
9 required under subparagraphs (A) and (B)) in the
10 manner provided in such sections 201(d), 1817(c), and
11 1841(c) as amended by this section.

12 (2) Any other marketable obligations held by the Trust
13 Funds at the time of the redemptions required by paragraph
14 (1) shall continue to be so held until their maturity except to
15 the extent it is necessary to redeem or sell them before matu-
16 rity (at the market price) in order to meet the benefit obliga-
17 tions of the Trust Fund or Funds involved.

18 (3) Sections 201(e), 1817(d), and 1841(d) of the Social
19 Security Act are repealed.

20 (e)(1) The next to last sentence of section 201(c) of such
21 Act is amended by striking out "Such report shall also in-
22 clude" and inserting in lieu thereof the following: "Such
23 report shall include an actuarial opinion by the Chief Actuary
24 of the Social Security Administration certifying that the tech-
25 niques and methodologies used are generally accepted within

1 the actuarial profession and that the assumptions and cost
2 estimates used are reasonable, and shall also include”.

3 (2) Section 1817(b) of such Act is amended by inserting
4 immediately before the last sentence the following new sen-
5 tence: “Such report shall also include an actuarial opinion by
6 the Chief Acturial Officer of the Health Care Financing Ad-
7 ministration certifying that the techniques and methodologies
8 used are generally accepted within the actuarial profession
9 and that the assumptions and cost estimates used are reason-
10 able.”.

11 (3) Section 1841(b) of such Act is amended by inserting
12 immediately before the last sentence the following new sen-
13 tence: “Such report shall also include an actuarial opinion by
14 the Chief Actuarial Officer of the Health Care Financing Ad-
15 ministration certifying that the techniques and methodologies
16 used are generally accepted within the actuarial profession
17 and that the assumptions and cost estimates used are reason-
18 able.”.

19 (4) Notwithstanding sections 201(c)(2), 1817(b)(2), and
20 1841(b)(2) of the Social Security Act, the annual reports of
21 the Boards of Trustees of the Trust Funds which are required
22 in the calendar year 1983 under those sections may be filed
23 at any time not later than forty-five days after the date of the
24 enactment of this Act.

1 (5) The amendments made by this subsection shall take
2 effect on the date of the enactment of this Act.

3 (f) Except as otherwise provided, the amendments made
4 by this section shall take effect on the first day of the first
5 month which begins more than thirty days after the date of
6 the enactment of this Act.

7 BUDGETARY TREATMENT OF TRUST FUND OPERATIONS

8 SEC. 304. (a)(1) Title VII of the Social Security Act (as
9 amended by section 143 of this Act) is further amended by
10 adding at the end thereof the following new section:

11 “BUDGETARY TREATMENT OF TRUST FUND OPERATIONS

12 “SEC. 710. The disbursements of the Federal Old-Age
13 and Survivors Insurance Trust Fund, the Federal Disability
14 Insurance Trust Fund, the Federal Hospital Insurance Trust
15 Fund, and the Federal Supplementary Medical Insurance
16 Trust Fund shall be treated as a separate major functional
17 category in the budget of the United States Government as
18 submitted by the President and in the congressional budget,
19 and the receipts of such Trust Funds, including the taxes
20 imposed under sections 1401, 3101, and 3111 of the Internal
21 Revenue Code of 1954, shall be set forth separately in such
22 budget.”.

23 (2)(A) The amendment made by paragraph (1) shall
24 apply with respect to fiscal years beginning on or after Octo-
25 ber 1, 1984, and ending on or before September 30, 1988,

1 except that such amendment shall apply with respect to the
2 fiscal year beginning on October 1, 1983, to the extent it
3 relates to the congressional budget.

4 (b) Effective for fiscal years beginning on or after Octo-
5 ber 1, 1988, section 710 of such Act (as added by subsection
6 (a) of this section) is amended to read as follows:

7 “BUDGETARY TREATMENT OF TRUST FUND OPERATIONS

8 “SEC. 710. (a) The receipts and disbursement of the
9 Federal Old-Age and Survivors Insurance Trust Fund, the
10 Federal Disability Insurance Trust Fund, and the Federal
11 Hospital Insurance Trust Fund and the taxes imposed under
12 sections 1401, 3101, and 3111 of the Internal Revenue Code
13 of 1954 shall not be included in the totals of the budget of the
14 United States Government as submitted by the President or
15 of the congressional budget and shall be exempt from any
16 general budget limitation imposed by statute on expenditures
17 and net lending (budget outlays) of the United States Govern-
18 ment.

19 “(b) The disbursements of the Federal Supplementary
20 Medical Insurance Trust Fund shall be treated as a separate
21 major functional category in the budget of the United States
22 Government as submitted by the President and in the con-
23 gressional budget, and the receipts of such Trust Fund shall
24 be set forth separately in such budgets.”.

1 PART B—ELIMINATION OF GENDER-BASED

2 DISTINCTIONS

3 DIVORCED HUSBANDS

4 SEC. 311. (a)(1) Section 202(c)(1) of the Social Security
5 Act is amended, in the matter preceding subparagraph (A),
6 by inserting “and every divorced husband (as defined in sec-
7 tion 216(d))” before “of an individual” and by inserting “or
8 such divorced husband” after “if such husband”.

9 (2) Section 202(c)(1) of such Act is further amended—

10 (A) by striking out “and” at the end of subpara-
11 graph (B);

12 (B) by redesignating subparagraph (C) as subpara-
13 graph (D), and by inserting after subparagraph (B) the
14 following new subparagraph:

15 “(C) in the case of a divorced husband, is not
16 married, and”; and

17 (C) by striking out the matter following subpara-
18 graph (D) (as so redesignated) and inserting in lieu
19 thereof the following:

20 “shall be entitled to a husband’s insurance benefit for each
21 month, beginning with—

22 “(i) in the case of a husband or divorced husband
23 (as so defined) of an individual who is entitled to an
24 old-age insurance benefit, if such husband or divorced
25 husband has attained age 65, the first month in which

1 he meets the criteria specified in subparagraphs (A),
2 (B), (C), and (D), or

3 “(ii) in the case of a husband or divorced husband
4 (as so defined) of—

5 “(I) an individual entitled to old-age insur-
6 ance benefits, if such husband or divorced husband
7 has not attained age 65, or

8 “(II) an individual entitled to disability insur-
9 ance benefits,

10 the first month throughout which he is such a husband
11 or divorced husband and meets the criteria specified in
12 subparagraphs (B), (C), and (D) (if in such month he
13 meets the criterion specified in subparagraph (A)),
14 whichever is earlier, and ending with the month preceding
15 the month to which any of the following occurs:

16 “(E) he dies,

17 “(F) such individual dies,

18 “(G) in the case of a husband, they are divorced
19 and either (i) he has not attained age 62, or (ii) he has
20 attained age 62 but has not been married to such indi-
21 vidual for a period of 10 years immediately before the
22 divorce became effective,

23 “(H) in the case of a divorced husband, he mar-
24 ries a person other than such individual,

1 “(I) he becomes entitled to an old-age or disability
2 insurance benefit based on a primary insurance amount
3 which is equal to or exceeds one-half of the primary
4 insurance amount of such individual, or

5 “(J) such individual is not entitled to disability in-
6 surance benefits and is not entitled to old-age insur-
7 ance benefits.”.

8 (3) Section 202(c)(3) of such Act is amended by insert-
9 ing “(or, in the case of a divorced husband, his former wife)”
10 before “for such month”.

11 (4) Section 202(c) of such Act is further amended by
12 adding after paragraph (3) the following new paragraph:

13 “(4) In the case of any divorced husband who marries—

14 “(A) an individual entitled to benefits under sub-
15 section (b), (e), (g), or (h) of this section, or

16 “(B) an individual who has attained the age of 18
17 and is entitled to benefits under subsection (d), by
18 reason of paragraph (1)(B)(ii) thereof,

19 such divorced husband’s entitlement to benefits under this
20 subsection, notwithstanding the provisions of paragraph (1)
21 (but subject to subsection (s)), shall not be terminated by
22 reason of such marriage.”.

23 (5) Section 202(c) of such Act is further amended by
24 adding after paragraph (4) (as added by paragraph (4) of this
25 subsection) the following new paragraph:

1 “(5)(A) Notwithstanding the preceding provisions of this
2 subsection, except as provided in subparagraph (B), the di-
3 vorced husband of an individual who is not entitled to old-age
4 or disability insurance benefits, but who has attained age 62
5 and is a fully insured individual (as defined in section 214), if
6 such divorced husband—

7 “(i) meets the requirements of subparagraphs (A)
8 through (D) of paragraph (1), and

9 “(ii) has been divorced from such insured individu-
10 al for not less than 2 years,

11 shall be entitled to a husband’s insurance benefit under this
12 subsection for each month, in such amount, and beginning
13 and ending with such months, as determined (under regula-
14 tions of the Secretary) in the manner otherwise provided for
15 husband’s insurance benefits under this subsection, as if such
16 insured individual had become entitled to old-age insurance
17 benefits on the date on which the divorced husband first
18 meets the criteria for entitlement set forth in classes (i) and
19 (ii).

20 “(B) A husband’s insurance benefit provided under this
21 paragraph which has not otherwise terminated in accordance
22 with subparagraph (E), (F), (H), or (I) of paragraph (1) shall
23 terminate with the month preceding the first month in which
24 the insured individual is no longer a fully insured individu-
25 al.”.

1 (6) Section 202(c)(2)(A) of such Act is amended by in-
2 serting “(or divorced husband)” after “payable to such hus-
3 band”.

4 (7) Section 202(b)(3)(A) of such Act is amended by strik-
5 ing out “(f)” and inserting in lieu thereof “(c), (f),”.

6 (8) Section 202(c)(1)(D) of such Act (as redesignated by
7 paragraph (2) of this subsection) is amended by striking out
8 “his wife” and inserting in lieu thereof “such individual”.

9 (9) Section 202(d)(5)(A) of such Act is amended by in-
10 serting “(c),” after “(b),”.

11 (b)(1) Section 202(f)(1) of such Act is amended, in the
12 matter preceding subparagraph (A), by inserting “and every
13 surviving divorced husband (as defined in section 216(d))”
14 before “of an individual” and by inserting “or such surviving
15 divorced husband” after “if such widower”.

16 (2) Section 202(f)(1) of such Act is further amended by
17 striking out “his deceased wife” in subparagraph (D) and in
18 the matter following subparagraph (F) and inserting in lieu
19 thereof “such deceased individual”.

20 (3) Section 202(f)(3)(B)(ii)(II) of such Act (as amended
21 by section 133(b)(1)(B) of this Act) is amended by inserting
22 “or surviving divorced husband” after “widower”.

23 (4) Paragraph (3)(D) of section 202(f) of such Act (as
24 redesignated by section 133(b)(1)(A) of this Act), and para-
25 graphs (4), (5), and (6) of such section (as redesignated by

1 section 131(b)(3)(A) of this Act), are each amended by insert-
2 ing “or surviving divorced husband” after “widower” wher-
3 ever it appears.

4 (5) Paragraph (3)(D) of section 202(f) of such Act (as
5 redesignated by section 133(b)(1)(A) of this Act) is further
6 amended by striking out “wife” wherever it appears and in-
7 serting in lieu thereof “individual”.

8 (6) Section 202(g)(3)(A) of such Act is amended by in-
9 serting “(c),” before “(f),”.

10 (7) Section 202(h)(4)(A) of such Act is amended by in-
11 serting “(c),” before “(e),”.

12 (c)(1) Section 216(d) of such Act is amended by redes-
13 ignating paragraph (4) as paragraph (6), and by inserting
14 after paragraph (3) the following new paragraphs:

15 “(4) The term ‘divorced husband’ means a man divorced
16 from an individual, but only if he had been married to such
17 individual for a period of 10 years immediately before the
18 date the divorce became effective.

19 “(5) The term ‘surviving divorced husband’ means a
20 man divorced from an individual who has died, but only if he
21 had been married to the individual for a period of 10 years
22 immediately before the divorce became effective.”.

23 (2) The heading of section 216(d) of such Act is amend-
24 ed to read as follows:

1 “DIVORCED SPOUSES; DIVORCE”.

(d)(1) Section 205(b) of such Act is amended by inserting “divorced husband,” after “husband,”, and by inserting “surviving divorced husband,” after “widower,”.

(2) Section 205(c)(1)(C) of such Act is amended by inserting “surviving divorced husband,” after “wife,”.

7 REMARRIAGE OF SURVIVING SPOUSE BEFORE AGE OF
8 ELIGIBILITY

9 SEC. 312. Section 202(f)(1)(A) of the Social Security
10 Act is amended by striking out “has not remarried” and in-
11 serting in lieu thereof “is not married”.

12 ILLEGITIMATE CHILDREN

SEC. 313. (a) Section 216(h)(3) of the Social Security Act is amended by inserting “mother or” before “father” wherever it appears.

(b) Section 216(h)(3)(A)(ii) of such Act is amended by striking out all that follows “time” and inserting in lieu thereof “such applicant’s application for benefits was filed;”.

(c) Section 216(h)(3)(B)(ii) of such Act is amended by striking out “such period of disability began” and inserting in lieu thereof “such applicant’s application for benefits was filed”.

23 (d) Section 216(h)(3) of such Act is further amended—

24 (1) by striking out “his” wherever it appears and
25 inserting in lieu thereof “his or her”; and

(2) by striking out “he” in subparagraph (B) and inserting in lieu thereof “he or she”.

TRANSITIONAL INSURED STATUS

SEC. 314. (a) Section 227(a) of the Social Security Act is amended—

(1) by striking out “wife” wherever it appears and inserting in lieu thereof “spouse”;

(2) by striking out “wife’s” wherever it appears and inserting in lieu thereof “spouse’s”;

(3) by striking out “she” wherever it appears and inserting in lieu thereof “he or she”;

(4) by striking out “his” and inserting in lieu thereof “the”; and

(5) by inserting “or section 202(c)” after “section 202(b)” wherever it appears.

(b) Section 227(b) and section 227(c) of such Act are amended—

(1) by striking out “widow” wherever it appears and inserting in lieu thereof “surviving spouse”;

(2) by striking out “widow’s” wherever it appears and inserting in lieu thereof “surviving spouse’s”;

(3) by striking out “her” wherever it appears and inserting in lieu thereof “the”; and

(4) by inserting “or section 202(f)” after “section 202(e)” wherever it appears.

1 (c) Section 216 of such Act is amended by inserting
2 before subsection (b) the following new subsection:

3 “Spouse; Surviving Spouse

4 “(a)(1) The term ‘spouse’ means a wife as defined in
5 subsection (b) or a husband as defined in subsection (f).

6 “(2) The term ‘surviving spouse’ means a widow as de-
7 fined in subsection (c) or a widower as defined in subsection
8 (g).”.

9 EQUALIZATION OF BENEFITS UNDER SECTION 228

10 SEC. 315. (a) Section 228(b) of the Social Security Act
11 is amended—

12 (1) by striking out “(1) Except as provided in
13 paragraph (2), the” and inserting in lieu thereof
14 “The”; and

15 (2) by striking out paragraph (2).

16 (b) Section 228(c)(2) of such Act is amended by striking
17 out “(B) the larger of” and all that follows and inserting in
18 lieu thereof “(B) the benefit amount as determined without
19 regard to this subsection.”.

20 (c) Section 228(c)(3) of such Act is amended to read as
21 follows:

22 “(3) In the case of a husband or wife both of whom are
23 entitled to benefits under this section for any month, the
24 benefit amount of each spouse, after any reduction under
25 paragraph (1), shall be further reduced (but not below zero)

1 by the excess (if any) of (A) the total amount of any periodic
2 benefits under governmental pension systems for which the
3 other spouse is eligible for such month, over (B) the benefit
4 amount of such other spouse as determined after any reduc-
5 tion under paragraph (1).”.

6 (d) Section 228 of such Act is further amended—

7 (1) by striking out “he” wherever it appears in
8 subsections (a) and (c)(1) and inserting in lieu thereof
9 “he or she”; and

10 (2) by striking out “his” in subsection (c)(4)(C)
11 and inserting in lieu thereof “his or her”.

12 (e) The Secretary shall increase the amounts specified in
13 section 228 of the Social Security Act, as amended by this
14 section, to take into account any general benefit increases (as
15 referred to in section 215(i)(3) of such Act), and any increases
16 under section 215(i) of such Act, which have occurred after
17 June 1974 or may hereafter occur.

18 FATHER’S INSURANCE BENEFITS

19 SEC. 316. (a) Section 202(g) of the Social Security Act
20 is amended—

21 (1) by striking out “widow” wherever it appears
22 and inserting in lieu thereof “surviving spouse”;

23 (2) by striking out “widow’s” wherever it appears
24 and inserting in lieu thereof “surviving spouse’s”;

1 (3) by striking out “wife’s insurance benefits” and
2 “he” in paragraph (1)(D) and inserting in lieu thereof
3 “a spouse’s insurance benefit” and “such individual”,
4 respectively;

5 (4) by striking out “her” wherever it appears and
6 inserting in lieu thereof “his or her”;

7 (5) by striking out “she” wherever it appears and
8 inserting in lieu thereof “he or she”;

9 (6) by striking out “mother” wherever it appears
10 and inserting in lieu thereof “parent”;

11 (7) by inserting “or father’s” after “mother’s”
12 wherever it appears;

13 (8) by striking out “after August 1950”; and

14 (9) in paragraph (3)(A) (as amended by section
15 311(b)(7) of this Act)—

16 (A) by inserting “this subsection or” before
17 “subsection (a)”; and

18 (B) by striking out “(c),” and inserting in
19 lieu thereof “(b), (c), (e),”.

20 (b) The heading of section 202(g) of such Act is amend-
21 ed by inserting “and Father’s” after “Mother’s”.

22 (c) Section 216(d) of such Act (as amended by section
23 311(c)(1) of this Act) is further amended by redesignating
24 paragraph (6) as paragraph (8) and by inserting after para-
25 graph (5) the following new paragraphs:

1 “(6) The term ‘surviving divorced father’ means a man
2 divorced from an individual who has died, but only if (A) he is
3 the father of her son or daughter, (B) he legally adopted her
4 son or daughter while he was married to her and while such
5 son or daughter was under the age of 18, (C) she legally
6 adopted his son or daughter while he was married to her and
7 while such son or daughter was under the age of 18, or (D)
8 he was married to her at the time both of them legally adopt-
9 ed a child under the age of 18.

10 “(7) The term ‘surviving divorced parent’ means a sur-
11 viving divorced mother as defined in paragraph (3) of this
12 subsection or a surviving divorced father as defined in para-
13 graph (6).”.

14 (d) Section 202(c)(1) of such Act (as amended by section
15 311(a) of this Act) is further amended by inserting “(subject
16 to subsection (s))” before “be entitled to” in the matter fol-
17 lowing subparagraph (D) and preceding subparagraph (E).

18 (e) Section 202(c)(1)(B) of such Act is amended by in-
19 serting after “62” the following: “or (in the case of a hus-
20 band) has in his care (individually or jointly with such individ-
21 ual) at the time of filing such application a child entitled to
22 child’s insurance benefits on the basis of the wages and self-
23 employment income of such individual”.

24 (f) Section 202(c)(1) of such Act (as amended by section
25 311(a) of this Act and the preceding provisions of this sec-

1 tion) is further amended by redesignating the new subpara-
2 graphs (I) and (J) as subparagraphs (J) and (K), respectively,
3 and by inserting after subparagraph (H) the following new
4 subparagraph:

5 “(I) in the case of a husband who has not attained
6 age 62, no child of such individual is entitled to a
7 child’s insurance benefit,”.

8 (g) Section 202(f)(1)(C) of such Act is amended by in-
9 serting “(i)” after “(C)”, by inserting “or” after “223,”, and
10 by adding at the end thereof the following new clause:

11 “(ii) was entitled, on the basis of such wages and
12 self-employment income, to father’s insurance benefits
13 for the month preceding the month in which he at-
14 tained age 65, and”.

15 (h) Section 202(f)(5) of such Act (as redesignated by sec-
16 tion 131(b)(3)(A) of this Act) is amended by striking out “or”
17 at the end of subparagraph (A), by redesignating subpara-
18 graph (B) as subparagraph (C), and by inserting immediately
19 after subparagraph (A) the following new subparagraph:

20 “(B) the last month for which he was entitled to
21 father’s insurance benefits on the basis of the wages
22 and self-employment income of such individual, or”.

23 (i) Section 203(f)(1)(F) of such Act is amended by strik-
24 ing out “section 202(b) (but only by reason of having a child
25 in her care within the meaning of paragraph (1)(B) of that

1 subsection)” and inserting in lieu thereof “section 202(b) or
2 (c) (but only by reason of having a child in his or her care
3 within the meaning of paragraph (1)(B) of subsection (b) or
4 (c), as may be applicable)”.

5 EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY BENE-
6 FITS AND ON OTHER DEPENDENTS’ OR SURVIVORS’
7 BENEFITS

8 SEC. 317. (a) Subsections (b)(3), (d)(5), (g)(3), and (h)(4)
9 of section 202 of the Social Security Act (as amended by the
10 preceding provisions of this Act) are each amended by strik-
11 ing out “; except that” and all that follows and inserting in
12 lieu thereof a period.

13 (b) The amendments made by subsection (a) shall apply
14 with respect to benefits under title II of the Social Security
15 Act for months after the month in which this Act is enacted,
16 but only in cases in which the “last month” referred to in the
17 provision amended is a month after the month in which this
18 Act is enacted.

19 CREDIT FOR CERTAIN MILITARY SERVICE

20 SEC. 318. Section 217(f) of the Social Security Act is
21 amended—

22 (1) by striking out “widow” each place it appears
23 and inserting in lieu thereof “surviving spouse”; and

1 (2) by striking out “his” and “her” wherever they
2 appear (except in clause (A) of paragraph (1)) and in-
3 serting in lieu thereof in each instance “his or her”.

4 CONFORMING AMENDMENTS

5 SEC. 319. (a) Section 202(b)(3)(A) of the Social Security
6 Act (as amended by section 311(a)(6) of this Act) is further
7 amended by inserting “(g),” after “(f),”.

8 (b) Section 202(q)(3) of such Act is amended by insert-
9 ing “or surviving divorced husband” after “widower” in sub-
10 paragraphs (E), (F), and (G).

11 (c) Section 202(q)(5) of such Act is amended—

12 (1) by inserting “or husband’s” after “wife’s”
13 wherever it appears;

14 (2) by striking out “her” in subparagraph (A)(i)
15 and inserting in lieu thereof “him or her”;

16 (3) by striking out “her” the second place it ap-
17 pears in subparagraph (A)(ii) and inserting in lieu
18 thereof “the”;

19 (4) by striking out “she” wherever it appears and
20 inserting in lieu thereof “he or she”;

21 (5) by striking out “her” wherever it appears
22 (except where paragraphs (2) and (3) of this subsection
23 apply) and inserting in lieu thereof “his or her”;

24 (6) by striking out “the woman” in subparagraph
25 (B)(ii) and “a woman” in subparagraph (C) and insert-

ing in lieu thereof “the individual” and “an individual”, respectively; and

(7) in subparagraph (D)—

(A) by inserting “or widower’s” after “widow’s”;

(B) by striking out “husband” wherever it appears and inserting in lieu thereof “spouse”;

(C) by striking out “husband’s” wherever it appears and inserting in lieu thereof “spouse’s”; and

(D) by inserting “or father’s” after “mother’s”.

(d)(1) Section 202(q)(6)(A) of such Act (as amended by section 134(a)(2) of this Act) is further amended by striking out “or husband’s” in clause (i) and by inserting “or husband’s” after “wife’s” in clause (ii).

(2) Section 202(q)(7) of such Act is amended—

(A) in subparagraph (B), by inserting “or husband’s” after “wife’s”, by striking out “she” and inserting in lieu thereof “such individual”, and by inserting “his or” before “her”, and

(B) in subparagraph (D), by inserting “or widower’s” after “widow’s”.

(e)(1) Section 202(s)(1) of such Act is amended by inserting “(c)(1),” after “(b)(1),”.

1 (2) Section 202(s)(2) of such Act (as amended by section
2 131(c)(1) of this Act) is further amended by inserting “(c)(4),”
3 after “(b)(3),”.

4 (3) Section 202(s)(3) of such Act (as amended by section
5 131(c)(2) of this Act) is further amended by striking out “So
6 much” and all that follows down through “the last sentence”
7 and inserting in lieu thereof “The last sentence”.

8 (f) The third sentence of section 203(b)(1) of such Act
9 (as amended by section 132(b) of this Act) is further amended
10 by inserting “or father’s” after “mother’s”.

11 (g) Section 203(c) of such Act is amended to read as
12 follows:

13 “Deductions on Account of Noncovered Work Outside the
14 United States or Failure to Have Child in Care

15 “(c) Deductions, in such amounts and at such time or
16 times as the Secretary shall determine, shall be made from
17 any payment or payments under this title to which an indi-
18 vidual is entitled, until the total of such deductions equals
19 such individual’s benefits or benefit under section 202 for any
20 month—

21 “(1) in which such individual is under the age of
22 seventy and for more than forty-five hours of which
23 such individual engaged in noncovered remunerative
24 activity outside the United States;

“(2) in which such individual, if a wife or husband under age sixty-five entitled to a wife’s or husband’s insurance benefit, did not have in his or her care (individually or jointly with his or her spouse) a child of such spouse entitled to a child’s insurance benefit and such wife’s or husband’s insurance benefit for such month was not reduced under the provisions of section 202(q);

“(3) in which such individual, if a widow or widower entitled to a mother’s or father’s insurance benefit, did not have in his or her care a child of his or her deceased spouse entitled to a child’s insurance benefit; or

“(4) in which such an individual, if a surviving divorced mother or father entitled to a mother’s or father’s insurance benefit, did not have in his or her care a child of his or her deceased former spouse who (A) is his or her son, daughter, or legally adopted child and (B) is entitled to a child’s insurance benefit on the basis of the wages and self-employment income of such deceased former spouse.

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child’s insurance benefit for any month in which paragraph (1) of section 202(s) applies or an event specified in section 222(b)

1 occurs with respect to such child. Subject to paragraph (3) of
2 such section 202(s), no deduction shall be made under this
3 subsection from any child's insurance benefit for the month in
4 which the child entitled to such benefit attained the age of
5 eighteen or any subsequent month; nor shall any deduction be
6 made under this subsection from any widow's insurance bene-
7 fit for any month in which the widow or surviving divorced
8 wife is entitled and has not attained age 65 (but only if she
9 became so entitled prior to attaining age 60), or from any
10 widower's insurance benefit for any month in which the wid-
11 ower or surviving divorced husband is entitled and has not
12 attained age 65 (but only if he became so entitled prior to
13 attaining age 60).''.

14 (h) Section 203(d) of such Act is amended by inserting
15 "divorced husband," after "husband," in paragraph (1)(A) (as
16 amended by section 132(b)(2) of this Act) and by inserting
17 "or father's" after "mother's" each place it appears in para-
18 graph (2).

19 (i)(1) Section 205(b) of such Act (as amended by section
20 311(d)(1) of this Act) is further amended by inserting "surviv-
21 ing divorced father," after "surviving divorced mother,".

22 (2) Section 205(c)(1)(C) of such Act (as amended by sec-
23 tion 311(d)(2) of this Act) is further amended by inserting
24 "surviving divorced father," after "surviving divorced
25 mother,".

1 (j) Section 216(f)(3)(A) of such Act is amended by insert-
2 ing “(c),” before “(f),”

3 (k) Section 216(g)(6)(A) of such Act is amended by in-
4 serting “(c),” before “(f)”.

5 (l) Section 222(b)(1) of such Act is amended by striking
6 out “or surviving divorced wife” and inserting in lieu thereof
7 “, surviving divorced wife, or surviving divorced husband”.

8 (m) Section 222(b)(2) of such Act is amended by insert-
9 ing “or father’s” after “mother’s” wherever it appears.

10 (n) Section 222(b)(3) of such Act is amended by insert-
11 ing “divorced husband,” after “husband,”.

12 (o) Section 223(d)(2) of such Act is amended by striking
13 out “or widower” in subparagraphs (A) and (B) and inserting
14 in lieu thereof “widower, or surviving divorced husband”.

15 (p) Section 225(a) of such Act is amended by inserting
16 “or surviving divorced husband” after “widower”.

17 (q)(1) Section 226(e)(3) of such Act is amended to read
18 as follows:

19 “(3) For purposes of determining entitlement to hospital
20 insurance benefits under subsection (b), any disabled widow
21 aged 50 or older who is entitled to mother’s insurance bene-
22 fits (and who would have been entitled to widow’s insurance
23 benefits by reason of disability if she had filed for such
24 widow’s benefits), and any disabled widower aged 50 or older
25 who is entitled to father’s insurance benefits (and who would

1 have been entitled to widower's insurance benefits by reason
2 of disability if he had filed for such widower's benefits), shall,
3 upon application for such hospital insurance benefits be
4 deemed to have filed for such widow's or widower's insur-
5 ance benefits.''.
6

7 (2) For purposes of determining entitlement to hospital
8 insurance benefits under section 226(e)(3) of such Act, as
9 amended by paragraph (1), an individual becoming entitled to
10 such hospital insurance benefits as a result of the amendment
11 made by such paragraph shall, upon furnishing proof of his or
12 her disability within twelve months after the month in which
13 this Act is enacted, under such procedures as the Secretary
14 of Health and Human Services may prescribe, be deemed to
15 have been entitled to the widow's or widower's benefits re-
16 ferred to in such section 226(e)(3), as so amended, as of the
17 time such individual would have been entitled to such
18 widow's or widower's benefits if he or she had filed a timely
19 application therefor.

20 EFFECTIVE DATE OF PART B

21 SEC. 320. (a) Except as otherwise specifically provided
22 in this title, the amendments made by this part apply only
23 with respect to monthly benefits payable under title II of the
24 Social Security Act for months after the month in which this
Act is enacted.

1 (b) Nothing in any amendment made by this part shall
2 be construed as affecting the validity of any benefit which
3 was paid, prior to the effective date of such amendment, as a
4 result of a judicial determination.

5 PART C—COVERAGE

6 COVERAGE OF EMPLOYEES OF FOREIGN AFFILIATES OF

7 AMERICAN EMPLOYERS

8 SEC. 321. (a)(1) So much of subsection (l) of section
9 3121 of the Internal Revenue Code of 1954 (relating to
10 agreements entered into by domestic corporations with re-
11 spect to foreign subsidiaries) as precedes the second sentence
12 of paragraph (1) thereof is amended to read as follows:

13 “(l) AGREEMENTS ENTERED INTO BY AMERICAN EM-
14 PLOYERS WITH RESPECT TO FOREIGN AFFILIATES.—

15 “(1) AGREEMENT WITH RESPECT TO CERTAIN
16 EMPLOYEES OF FOREIGN AFFILIATE.—The Secretary
17 shall, at the American employer’s request, enter into
18 an agreement (in such manner and form as may be
19 prescribed by the Secretary) with any American em-
20 ployer (as defined in subsection (h)) who desires to
21 have the insurance system established by title II of the
22 Social Security Act extended to service performed out-
23 side the United States in the employ of any 1 or more
24 of such employer’s foreign affiliates (as defined in para-
25 graph (8)) by all employees who are citizens or resi-

1 dents of the United States, except that the agreement
2 shall not apply to any service performed by, or remun-
3 eration paid to, an employee if such service or remun-
4 eration would be excluded from the term 'employ-
5 ment' or 'wages', as defined in this section, had the
6 service been performed in the United States."

7 (2) Paragraph (8) of section 3121(l) of such Code (defin-
8 ing foreign subsidiary) is amended to read as follows:

9 “(8) FOREIGN AFFILIATE DEFINED.—For pur-
10 poses of this subsection and section 210(a) of the Social
11 Security Act—

12 “(A) IN GENERAL.—A foreign affiliate of an
13 American employer is any foreign entity in which
14 such American employer has not less than a 10-
15 percent interest.

16 “(B) DETERMINATION OF 10-PERCENT IN-
17 TEREST.—For purposes of subparagraph (A), an
18 American employer has a 10-percent interest in
19 any entity if such employer has such an interest
20 directly (or through one or more entities)—

21 “(i) in the case of a corporation, in the
22 voting stock thereof, and

23 “(ii) in the case of any other entity, in
24 the profits thereof.”

1 (b) The clause (B) of section 210(a) of the Social Secu-
2 rity Act (defining employment) which precedes paragraph (1)
3 thereof (as amended by section 323(a)(2) of this Act) is fur-
4 ther amended to read as follows: “(B) outside the United
5 States by a citizen or resident of the United States as an
6 employee (i) of an American employer (as defined in subsec-
7 tion (e) of this section), or (ii) of a foreign affiliate (as defined
8 in section 3121(l)(8) of the Internal Revenue Code of 1954)
9 of an American employer during any period for which there is
10 in effect an agreement, entered into pursuant to section
11 3121(l) of such Code, with respect to such affiliate;”.

12 (c) Subsection (a) of section 406 of the Internal Revenue
13 Code of 1954 (relating to treatment of certain employees of
14 foreign subsidiaries for pension, etc., purposes) is amended to
15 read as follows:

16 “(a) **TREATMENT AS EMPLOYEES OF AMERICAN EM-**
17 **PLOYER.**—For purposes of applying this part with respect to
18 a pension, profit-sharing, or stock bonus plan described in
19 section 401(a), an annuity plan described in section 403(a), or
20 a bond purchase plan described in section 405(a), of an
21 American employer (as defined in section 3121(h)), an indi-
22 vidual who is a citizen or resident of the United States and
23 who is an employee of a foreign affiliate (as defined in section
24 3121(l)(8)) of such American employer shall be treated as an
25 employee of such American employer, if—

1 “(1) such American employer has entered into an
2 agreement under section 3121(l) which applies to the
3 foreign affiliate of which such individual is an employ-
4 ee;

5 “(2) the plan of such American employer express-
6 ly provides for contributions or benefits for individuals
7 who are citizens or residents of the United States and
8 who are employees of its foreign affiliates to which an
9 agreement entered into by such American employer
10 under section 3121(l) applies; and

11 “(3) contributions under a funded plan of deferred
12 compensation (whether or not a plan described in sec-
13 tion 401(a), 403(a), or 405(a)) are not provided by any
14 other person with respect to the remuneration paid to
15 such individual by the foreign affiliate.”

16 (d) Paragraph (1) of section 407(a) of such Code (relat-
17 ing to certain employees of domestic subsidiaries engaged in
18 business outside the United States) is amended—

19 (1) by striking out “citizen of the United States”
20 and inserting in lieu thereof “citizen or resident of the
21 United States”, and

22 (2) by striking out “citizens of the United States”
23 and inserting in lieu thereof “citizens or residents of
24 the United States”.

1 (e)(1) Those provisions of subsection (l) of section 3121
 2 of such Code which are not amended by subsection (a) of this
 3 section are amended in accordance with the following table:

Strike out (wherever it appears in the text or heading):	And insert:
domestic corporation	American employer
domestic corporations	American employers
subsidiary	affiliate
subsidiaries	affiliates
foreign corporation	foreign entity
foreign corporations	foreign entities
citizens	citizens or residents
the word "a" where it appears before "domestic".	an

4 (2)(A) Section 406 of such Code (other than subsection
 5 (a) thereof) is amended in accordance with the following
 6 table:

Strike out (wherever appearing in the text):	And insert:
domestic corporation	American employer
subsidiary	affiliate
the word "a" where it appears before "domestic".	an

7 (B) Paragraph (3) of subsection (c) of such section 406
 8 (as in effect before the amendment made by subparagraph
 9 (A)) is amended by striking out "another corporation con-
 10 trolled by such domestic corporation" and inserting in lieu
 11 thereof "another entity in which such American employer
 12 has not less than a 10-percent interest (within the meaning of
 13 section 3121(l)(8)(B))".

14 (C)(i) So much of subsection (d) of such section 406 as
 15 precedes paragraph (1) thereof is amended by striking out
 16 "another corporation" and inserting in lieu thereof "another
 17 taxpayer".

1 (ii) Paragraph (1) of subsection (d) of such section 406 is
 2 amended by striking out “any other corporation” and insert-
 3 ing in lieu thereof “any other taxpayer”.

4 (D)(i) The heading of such section 406 is amended to
 5 read as follows:

6 “SEC. 406. EMPLOYEES OF FOREIGN AFFILIATES COVERED
 7 BY SECTION 3121(l) AGREEMENTS.”.

8 (ii) The table of sections for subpart A of part I of sub-
 9 chapter D of chapter 1 of such Code is amended by striking
 10 out the item relating to section 406 and inserting in lieu
 11 thereof the following:

“Sec. 406. Employees of foreign affiliates covered by section 3121(l)
 agreements.”

12 (3) Clause (A) of the second sentence of section 1402(b)
 13 of such Code (defining self-employment income) is amended
 14 by striking out “employees of foreign subsidiaries of domestic
 15 corporations” and inserting in lieu thereof “employees of for-
 16 eign affiliates of American employers”.

17 (4)(A) Subparagraph (C) of section 6413(c)(2) of such
 18 Code (relating to special refunds of FICA taxes in the case of
 19 employees of certain foreign corporations) is amended—

20 (i) by striking out “FOREIGN CORPORATIONS” in
 21 the heading and inserting in lieu thereof “FOREIGN AF-
 22 FILIATES”, and

1 (ii) by striking out “domestic corporation” in the
2 text and inserting in lieu thereof “American employ-
3 er”.

4 (B) The heading of paragraph (2) of section 6413(c) of
5 such Code is amended by striking out “FOREIGN CORPORA-
6 TIONS” and inserting in lieu thereof “FOREIGN AFFILI-
7 ATES”.

8 (f)(1)(A) The amendments made by this section (other
9 than subsection (d)) shall apply to agreements entered into
10 after the date of the enactment of this Act.

11 (B) At the election of any American employer, the
12 amendments made by this section (other than subsection (d))
13 shall also apply to any agreement entered into on or before
14 the date of the enactment of this Act. Any such election shall
15 be made at such time and in such manner as the Secretary
16 may by regulations prescribe.

17 (2)(A) The amendments made by subsection (d) shall
18 apply to plans established after the date of the enactment of
19 this Act.

20 (B) At the election of any domestic parent corporation
21 the amendments made by subsection (d) shall also apply to
22 any plan established on or before the date of the enactment of
23 this Act. Any such election shall be made at such time and in
24 such manner as the Secretary may by regulations prescribe.

1 EXTENSION OF COVERAGE BY INTERNATIONAL SOCIAL
2 SECURITY AGREEMENT

3 SEC. 322. (a)(1) Section 210(a) of the Social Security
4 Act is amended, in the matter preceding paragraph (1)—

5 (A) by striking out “either” before “(A)”, and

6 (B) by inserting before “; except” the following:

7 “, or (C) if it is service, regardless of where or by
8 whom performed, which is designated as employment
9 or recognized as equivalent to employment under an
10 agreement entered into under section 233”.

11 (2) Section 3121(b) of the Internal Revenue Code of
12 1954 is amended, in the matter preceding paragraph (1)—

13 (A) by striking out “either” before “(A)”, and

14 (B) by inserting before “; except” the following:

15 “, or (C) if it is service, regardless of where or by
16 whom performed, which is designated as employment
17 or recognized as equivalent to employment under an
18 agreement entered into under section 233 of the Social
19 Security Act”.

20 (b)(1) Section 211(b) of the Social Security Act is
21 amended by inserting after “non-resident alien individual”
22 the following: “, except as provided by an agreement under
23 section 233”.

24 (2) The first sentence of section 1402(b) of the Internal
25 Revenue Code of 1954 is amended by inserting after “non-

1 resident alien individual” the following: “, except as provided
2 by an agreement under section 233 of the Social Security
3 Act”.

4 (c) The amendments made by this section shall be effec-
5 tive for taxable years beginning on or after the date of the
6 enactment of this Act.

7 TREATMENT OF CERTAIN SERVICE PERFORMED OUTSIDE
8 THE UNITED STATES

9 SEC. 323. (a)(1) Subsection (b) of section 3121 of the
10 Internal Revenue Code of 1954 (defining employment) is
11 amended by striking out “a citizen of the United States” in
12 the matter preceding paragraph (1) thereof and inserting in
13 lieu thereof “a citizen or resident of the United States”.

14 (2) Subsection (a) of section 210 of the Social Security
15 Act is amended by striking out “a citizen of the United
16 States” in the matter preceding paragraph (1) thereof and
17 inserting in lieu thereof “a citizen or resident of the United
18 States”.

19 (b)(1) Paragraph (11) of section 1402(a) of the Internal
20 Revenue Code of 1954 (defining net earnings from self-em-
21 ployment) is amended by striking out “in the case of an indi-
22 vidual described in section 911(d)(1)(B),”.

23 (2)(A) Paragraph (10) of section 211(a) of the Social Se-
24 curity Act is amended to read as follows:

1 “(10) the exclusion from gross income provided by
2 section 911(a)(1) of the Internal Revenue Code of 1954
3 shall not apply; and”.

4 (B) Effective with respect to taxable years beginning
5 after December 31, 1981, and before January 1, 1984, para-
6 graph (10) of section 211(a) of such Act is amended to read
7 as follows:

8 “(10) in the case of an individual described in sec-
9 tion 911(d)(1)(B) of the Internal Revenue Code of
10 1954, the exclusion from gross income provided by
11 section 911(a)(1) of such Code shall not apply; and”.

12 (c)(1) The amendments made by subsection (a) shall
13 apply to remuneration paid after December 31, 1983.

14 (2) Except as provided in subsection (b)(2)(B), the
15 amendments made by subsection (b) shall apply to taxable
16 years beginning after December 31, 1983.

17 TREATMENT OF PAY AFTER AGE 62 AS WAGES

18 SEC. 324. (a) Section 209 of the Social Security Act is
19 amended by striking out subsection (i).

20 (b) Section 3121(a) of the Internal Revenue Code of
21 1954 is amended by striking out paragraph (9).

22 (c) The amendments made by this section shall apply
23 with respect to calendar years beginning more than six
24 months after the date of the enactment of this Act.

1 TREATMENT OF CONTRIBUTIONS UNDER SIMPLIFIED

2 EMPLOYEE PENSIONS

3 SEC. 325. (a) Subparagraph (D) of section 3121(a)(5) of
4 the Internal Revenue Code of 1954 (defining wages) is
5 amended by striking out “section 219” and inserting in lieu
6 thereof “section 219(b)(2)”.

7 (b) Subsection (e) of section 209 of the Social Security
8 Act is amended by striking out the semicolon at the end
9 thereof and inserting in lieu thereof the following: “, or (5)
10 under a simplified employee pension (as defined in section
11 408(k) of the Internal Revenue Code of 1954) if, at the time
12 of the payment, it is reasonable to believe that the employee
13 will be entitled to a deduction under section 219(b)(2) of such
14 Code for such payment;”.

15 (c) The amendments made by this section shall apply to
16 remuneration paid after December 31, 1983.

17 EFFECT OF CHANGES IN NAMES OF STATE AND LOCAL

18 EMPLOYEE GROUPS IN UTAH

19 SEC. 326. (a) Section 218(o) of the Social Security Act
20 is amended by adding at the end thereof the following new
21 sentence: “Coverage provided for in this subsection shall not
22 be affected by a subsequent change in the name of a group.”.

23 (b) The amendment made by subsection (a) shall apply
24 with respect to name changes made before, on, or after the
25 date of the enactment of this section.

1 EFFECTIVE DATES OF INTERNATIONAL SOCIAL SECURITY
2 AGREEMENTS

3 SEC. 327. (a) Section 233(e)(2) of the Social Security
4 Act is amended by striking out “during which each House of
5 the Congress has been in session on each of 90 days” and
6 inserting in lieu thereof “during which at least one House of
7 the Congress has been in session on each of 60 days”.

8 (b) The amendment made by subsection (a) shall be ef-
9 fective on the date of the enactment of this Act.

10 TECHNICAL CORRECTION WITH RESPECT TO WITHHOLD-
11 ING ON SICK PAY OF PARTICIPANTS IN MULTIEM-
12 PLOYER PLANS

13 SEC. 328. (a) Paragraph (2) of section 3(d) of the Act
14 entitled “An Act to amend the Omnibus Reconciliation Act
15 of 1981 to restore minimum benefits under the Social Secu-
16 rity Act”, approved December 29, 1981 (Public Law 97-
17 123), relating to extension of coverage to first 6 months of
18 sick pay, is amended by striking out “and” at the end of
19 subparagraph (B), by striking out the period at the end of
20 subparagraph (C) and inserting in lieu thereof “, and”, and
21 by adding at the end thereof the following new subparagraph:
22 “(D) in the case of a multiemployer plan, to the
23 extent provided in regulations prescribed under para-
24 graph (1), such plan shall be treated as the agent of

1 the employers for whom services are normally ren-
2 dered.”

3 (b) The amendment made by subsection (a) shall apply
4 to remuneration paid after June 30, 1983.

5 AMOUNTS RECEIVED UNDER CERTAIN DEFERRED COMPEN-
6 SATION AND SALARY REDUCTION ARRANGEMENTS
7 TREATED AS WAGES FOR FICA TAXES

8 SEC. 329. (a) Section 3121 of the Internal Revenue
9 Code of 1954 (relating to definitions) is amended by adding at
10 the end thereof the following new subsection:

11 “(v) TREATMENT OF CERTAIN DEFERRED COMPEN-
12 SATION AND SALARY REDUCTION ARRANGEMENTS.—
13 Nothing in any paragraph of subsection (a) (other than para-
14 graph (1)) shall exclude from the term ‘wages’ any employer
15 contribution—

16 “(1) under a qualified cash or deferred arrange-
17 ment (as defined in section 401(k)) to the extent not
18 included in gross income by reason of section 402(a)(8),

19 “(2) under a cafeteria plan (as defined in section
20 125(d)) to the extent the employee had the right to
21 choose cash, property, or other benefits which would
22 be wages for purposes of this chapter, or

23 “(3) for an annuity contract described in section
24 403(b).”

1 (b) Section 209 of the Social Security Act is amended
2 by adding at the end thereof (after the new paragraph added
3 by section 101(c)(1) of the this Act) the following new para-
4 graph:

5 “Nothing in any of the foregoing provisions of this sec-
6 tion (other than subsection (a)) shall exclude from the term
7 ‘wages’ and employer contribution—

8 “(1) under a qualified cash or deferred arrange-
9 ment (as defined in section 401(k)) of the Internal Rev-
10 enue Code of 1954 to the extent not included in gross
11 income by reason of section 402(a)(8) of such Code,

12 “(2) under a cafeteria plan (as defined in section
13 125(d) of such Code) to the extent the employee had
14 the right to choose cash, property, or other benefits
15 which would be wages for purposes of this title, or

16 “(3) for an annuity contract described in section
17 403(b) of such Code.”

18 (c) The amendments made by this section shall apply to
19 remuneration paid after December 31, 1983.

20 CODIFICATION OF ROWAN DECISION WITH RESPECT TO

21 MEALS AND LODGING

22 SEC. 330. (a)(1) Subsection (a) of section 3121 of the
23 Internal Revenue Code of 1954 (defining wages) is amended
24 by striking out “or” at the end of paragraph (17), by striking
25 out the period at the end of paragraph (18) and inserting in

1 lieu thereof “; or”, and by inserting after paragraph (18) the
2 following new paragraph:

3 “(19) the value of any meals or lodging furnished
4 by or on behalf of the employer if at the time of such
5 furnishing it is reasonable to believe that the employee
6 will be able to exclude such items from income under
7 section 119.”

8 (2) Section 209 of the Social Security Act is amended
9 by striking out “or” at the end of subsection (p), by striking
10 out the period at the end of subsection (q) and inserting in
11 lieu thereof “; or”, and by inserting after subsection (q) the
12 following new subsection:

13 “(r) The value of any meals or lodging furnished by or
14 on behalf of the employer if at the time of such furnishing it is
15 reasonable to believe that the employee will be able to ex-
16 clude such items from income under section 119 of the Inter-
17 nal Revenue Code of 1954.”

18 (b)(1) Subsection (a) of section 3121 of such Code is
19 amended by inserting after paragraph (19) (as added by sub-
20 section (a) of this section) the following new sentence:

21 “Nothing in the regulations prescribed for purposes of chap-
22 ter 24 (relating to income tax withholding) which provides an
23 exclusion from ‘wages’ as used in such chapter shall be con-
24 strued to require a similar exclusion from ‘wages’ in the reg-
25 ulations prescribed for purposes of this chapter.”

1 (2) Section 209 of the Social Security Act is amended
2 by inserting immediately after subsection (r) (as added by
3 subsection (a) of this section) the following new sentence:

4 “Nothing in the regulations prescribed for purposes of chap-
5 ter 24 of the Internal Revenue Code of 1954 (relating to
6 income tax withholding) which provides an exclusion from
7 ‘wages’ as used in such chapter shall be construed to require
8 a similar exclusion from ‘wages’ in the regulations prescribed
9 for purposes of this title.”

10 (c) The amendments made by subsections (a) and (b)
11 shall apply to remuneration paid after December 31, 1983.

12 PART D—OTHER AMENDMENTS

13 TECHNICAL AND CONFORMING AMENDMENTS TO MAXIMUM

14 FAMILY BENEFIT PROVISIONS

15 SEC. 331. (a)(1) Section 203(a)(3)(A) of the Social Secu-
16 rity Act is amended by striking out clause (ii) and inserting in
17 lieu thereof the following:

18 “(ii) an amount (I) initially equal to the product of
19 1.75 and the primary insurance amount that would be
20 computed under section 215(a)(1), for January of the
21 year determined for purposes of this clause under the
22 following two sentences, with respect to average in-
23 dexed monthly earnings equal to one-twelfth of the
24 contribution and benefit base determined for that year

1 under section 230, and (II) thereafter increased in ac-
2 cordance with the provisions of section 215(i)(2)(A)(ii).
3 The year established for purposes of clause (ii) shall be 1983
4 or, if it occurs later with respect to any individual, the year in
5 which occurred the month that the application of the reduc-
6 tion provisions contained in this subparagraph began with re-
7 spect to benefits payable on the basis of the wages and self-
8 employment income of the insured individual. If for any
9 month subsequent to the first month for which clause (ii) ap-
10 plies (with respect to benefits payable on the basis of the
11 wages and self-employment income of the insured individual)
12 the reduction under this subparagraph ceases to apply, then
13 the year determined under the preceding sentence shall be
14 redetermined (for purposes of any subsequent application of
15 this subparagraph with respect to benefits payable on the
16 basis of such wages and self-employment income) as though
17 this subparagraph had not been previously applicable.”.

18 (2) Section 203(a)(7) of such Act is amended by striking
19 out everything that follows “shall be reduced to an amount
20 equal to” and inserting in lieu thereof “the amount deter-
21 mined in accordance with the provisions of paragraph
22 (3)(A)(ii) of this subsection, except that for this purpose the
23 references to subparagraph (A) in the last two sentences of
24 paragraph (3)(A) shall be deemed to be references to para-
25 graph (7).”.

1 (b) Clause (i) in the last sentence of section 203(b)(1) of
2 such Act (as amended by section 132(b) of this Act) is further
3 amended by striking out "penultimate sentence" and insert-
4 ing in lieu thereof "first sentence of paragraph (4)".

5 (c) The amendments made by subsection (a) shall be ef-
6 fective with respect to payments made for months after De-
7 cember 1983.

8 REDUCTION FROM 72 TO 70 OF AGE BEYOND WHICH NO
9 DELAYED RETIREMENT CREDITS CAN BE EARNED

10 SEC. 332. (a) Section 202(w) of the Social Security Act
11 is amended—

12 (1) in paragraph (2)(A), by striking out "age 72"
13 and inserting in lieu thereof "age 70"; and

14 (2) in paragraph (3), by striking out "age 72 after
15 1972" and inserting in lieu thereof "age 70".

16 (b) The amendments made by subsection (a) shall apply
17 with respect to individuals who attain age 70 after December
18 1983. For individuals who attain age 70 before January
19 1984, section 202(w) as in effect immediately before the en-
20 actment of the amendments made by this section shall apply,
21 except that no increment months as determined under such
22 section attributable to months after December 1983 shall
23 accrue.

1 RELAXATION OF INSURED STATUS REQUIREMENTS FOR
2 CERTAIN WORKERS PREVIOUSLY ENTITLED TO A
3 PERIOD OF DISABILITY

4 SEC. 333. (a) Section 216(i)(3) of the Social Security
5 Act is amended—

6 (1) by striking out the semicolon at the end of
7 clause (ii) of subparagraph (B) and inserting in lieu
8 thereof “, or”; and

9 (2) by inserting after clause (ii) of such subpara-
10 graph the following new clause:

11 “(iii) in the case of an individual (not otherwise
12 insured under clause (i)) who, by reason of clause (ii),
13 had a prior period of disability that began during a
14 period before the quarter in which he or she attained
15 age 31, not less than one-half of the quarters beginning
16 after such individual attained age 21 and ending with
17 such quarter are quarters of coverage, or (if the
18 number of quarters in such period is less than 12) not
19 less than 6 of the quarters in the 12-quarter period
20 ending with such quarter are quarters of coverage;”.

21 (b) Section 223(c)(1)(B) of such Act is amended—

22 (1) by striking out the semicolon at the end of
23 clause (ii) and inserting in lieu thereof “, or”; and

24 (2) by inserting after clause (ii) the following new
25 clause:

1 “(iii) in the case of an individual (not
2 otherwise insured under clause (i)) who, by
3 reason of section 216(i)(3)(B)(ii), had a prior
4 period of disability that began during a
5 period before the quarter in which he or she
6 attained age 31, not less than one-half of the
7 quarters beginning after such individual at-
8 tained age 21 and ending with the quarter in
9 which such month occurs are quarters of
10 coverage, or (if the number of quarters in
11 such period is less than 12) not less than 6
12 of the quarters in the 12-quarter period
13 ending with such quarter are quarters of cov-
14 erage;”.

15 (c) The amendments made by this section shall be effec-
16 tive with respect to applications for disability insurance bene-
17 fits under section 223 of the Social Security Act, and for
18 disability determinations under section 216(i) of such Act,
19 filed after the date of the enactment of this Act, except that
20 no monthly benefits under title II of the Social Security Act
21 shall be payable or increased by reason of the amendments
22 made by this section for months before the month following
23 the month of enactment of this Act.

1 PROTECTION OF BENEFITS OF ILLEGITIMATE CHILDREN
2 OF DISABLED BENEFICIARIES

3 SEC. 334. (a) The last sentence of section 216(h)(3) of
4 the Social Security Act is amended by striking out “subpara-
5 graph (A)(i)” and inserting in lieu thereof “subparagraphs
6 (A)(i) and (B)(i)”.

7 (b) The amendment made by subsection (a) shall be ef-
8 fective on the date of the enactment of this Act.

9 ONE-MONTH RETROACTIVITY OF WIDOW’S AND WIDOWER’S
10 INSURANCE BENEFITS

11 SEC. 335. (a) Section 202(j)(4)(B) of the Social Security
12 Act is amended—

13 (1) by redesignating clauses (iii) and (iv) as clauses
14 (iv) and (v), respectively; and

15 (2) by adding after clause (ii) the following new
16 clause:

17 “(iii) Subparagraph (A) does not apply to a benefit under
18 subsection (e) or (f) for the month immediately preceding the
19 month of application, if the insured individual died in that
20 preceding month.”.

21 (b) The amendments made by subsection (a) shall apply
22 with respect to survivors whose applications for monthly
23 benefits are filed after the second month following the month
24 in which this Act is enacted.

1 NONASSIGNABILITY OF BENEFITS

2 SEC. 336. (a) Section 207 of the Social Security Act is
3 amended—

4 (1) by inserting “(a)” before “The right”; and

5 (2) by adding at the end thereof the following new
6 subsection:

7 “(b) No other provision of law, enacted before, on, or
8 after the date of the enactment of this section, may be con-
9 strued to limit, supersede, or otherwise modify the provisions
10 of this section except to the extent that it does so by express
11 reference to this section.”.

12 (b) Section 459(a) of such Act is amended by inserting
13 “(including section 207)” after “any other provision of law”.

14 (c) The amendments made by subsection (a) shall apply
15 only with respect to benefits payable or rights existing under
16 the Social Security Act on or after the date of the enactment
17 of this Act.

18 USE OF DEATH CERTIFICATES TO PREVENT ERRONEOUS
19 BENEFIT PAYMENTS TO DECEASED INDIVIDUALS

20 SEC. 337. Section 205 of the Social Security Act is
21 amended by adding at the end thereof the following new sub-
22 section:

23 “Use of Death Certificates to Correct Program Information

24 “(r)(1) The Secretary is authorized to establish a pro-
25 gram under which—

1 “(A) States (or political subdivisions thereof) vol-
2 untarily contract with the Secretary to furnish the Sec-
3 retary periodically with information (in a form estab-
4 lished by the Secretary in consultation with the States)
5 concerning individuals with respect to whom death cer-
6 tificates (or equivalent documents maintained by the
7 States or subdivisions) have been officially filed with
8 them;

9 “(B) the Secretary compares such information on
10 such individuals with information on such individuals in
11 the records being used in the administration of this
12 Act; and

13 “(C) the Secretary makes any appropriate correc-
14 tions in such records to accurately reflect the status of
15 such individuals.

16 “(2) Each State (or political subdivision thereof) which
17 furnishes the Secretary with information on records of deaths
18 in the State or subdivision under this subsection shall be paid
19 by the Secretary from amounts available for administration of
20 this Act the reasonable costs (established by the Secretary)
21 for transcribing and transmitting such information to the Sec-
22 retary.

23 “(3) In the case of individuals with respect to whom
24 benefits are provided by (or through) a Federal or State
25 agency other than under this Act, the Secretary may provide,

1 through a cooperative arrangement with such agency, for
2 carrying out the duties described in paragraph (1)(B) with
3 respect to such individuals if—

4 “(A) under such arrangement the agency provides
5 reimbursement to the Secretary for the reasonable cost
6 of carrying out such arrangement, and

7 “(B) such arrangement does not conflict with the
8 duties of the Secretary under paragraph (1).

9 “(4) Information furnished to the Secretary under this
10 subsection may not be used for any purpose other than the
11 purposes described in this subsection and is exempt from dis-
12 closure under section 552 of title 5, United States Code, and
13 from the requirements of section 552a of such title.”.

14 PUBLIC PENSION OFFSET

15 SEC. 338. (a) Subsections (b)(4)(A), (c)(2)(A), (f)(2)(A),
16 and (g)(4)(A) of section 202 of the Social Security Act, and
17 paragraph (7)(A) of section 202(e) of such Act (as redesignat-
18 ed by section 131(a)(3)(A) of this Act), are each amended—

19 (1) by striking out “by an amount equal to the
20 amount of any monthly periodic benefit” and inserting
21 in lieu thereof “by an amount equal to one-third of the
22 amount of any monthly periodic benefit”; and

23 (2) by adding at the end thereof the following new
24 sentence: “The amount of the reduction in any benefit
25 under this subparagraph, if not a multiple of \$0.10,

1 shall be rounded to the next higher multiple of
2 \$0.10.”.

3 (b) The amendments made by subsection (a) of this sec-
4 tion shall apply only with respect to monthly insurance bene-
5 fits payable under title II of the Social Security Act to indi-
6 viduals who initially become eligible (as defined in section
7 334 of Public Law 95-216) for monthly periodic benefits
8 (within the meaning of the provisions amended by subsection
9 (a)) for months after June 1983.

10 STUDY CONCERNING THE ESTABLISHMENT OF THE SOCIAL
11 SECURITY ADMINISTRATION AS AN INDEPENDENT
12 AGENCY

13 SEC. 339. (a) There is hereby established, under the
14 authority of the Committee on Ways and Means of the House
15 of Representatives and the Committee on Finance of the
16 Senate, a joint study panel to be known as the Joint Study
17 Panel on the Social Security Administration (hereafter in this
18 section referred to as the “Panel”). The duties of the Panel
19 shall be to conduct the study provided for in subsection (c).

20 (b)(1) The Panel shall be composed of 3 members, ap-
21 pointed jointly by the chairmen of the Committee on Ways
22 and Means of the House of Representatives and the Commit-
23 tee on Finance of the Senate and such chairmen shall jointly
24 select one member of the Panel to serve as chairman of the
25 Panel. Members of the Panel shall be chosen, on the basis of

1 their integrity, impartiality, and good judgment, from individ-
2 uals who, as a result of their training, experience, and attain-
3 ments, are widely recognized by professionals in the field of
4 government administration as experts in that field.

5 (2) Vacancies in the membership of the Panel shall not
6 affect the power of the remaining members to perform the
7 duties of the Panel and shall be filled in the same manner in
8 which the original appointment was made.

9 (3) Each member of the Panel not otherwise in the
10 employ of the United States Government shall receive the
11 daily equivalent of the annual rate of basic pay payable for
12 level V of the Executive Schedule under section 5316 of title
13 5, United States Code, for each day during which such
14 member is actually engaged in the performance of the duties
15 of the Panel. Each member of the Panel shall be allowed
16 travel expenses in the same manner as any individual em-
17 ployed intermittently by the Federal Government is allowed
18 travel expenses under section 5703 of title 5, United States
19 Code.

20 (4) By agreement between the chairmen of the Commit-
21 tee on Ways and Means of the House of Representatives and
22 the Committee on Finance of the Senate, such Committees
23 shall provide the Panel, on a reimbursible basis, office space,
24 clerical personnel, and such supplies and equipment as may
25 be necessary for the Panel to carry out its duties under this

1 section. Subject to such limitations as the chairmen of such
2 Committees may jointly prescribe, the Panel may appoint
3 such additional personnel as the Panel considers necessary
4 and fix the compensation of such personnel as it considers
5 appropriate at an annual rate which does not exceed the rate
6 of basic pay then payable for GS-18 of the General Schedule
7 under section 5332 of title 5, United States Code, and may
8 procure by contract the temporary or intermittent services of
9 clerical personnel and experts or consultants, or organiza-
10 tions thereof.

11 (5) There are hereby appropriated to the Panel from the
12 Federal Old-Age and Survivors Insurance Trust Fund, the
13 Federal Disability Insurance Trust Fund, the Federal Hospi-
14 tal Insurance Trust Fund, and the Federal Supplementary
15 Medical Insurance Trust Fund, such sums as the chairmen of
16 the Committee on Ways and Means of the House of Repre-
17 sentatives and the Committee on Finance of the Senate shall
18 jointly certify to the Secretary of the Treasury as necessary
19 to carry out the Panel's duties under this section. The Secre-
20 tary of the Treasury shall allocate among such Trust Funds
21 the total amount to be transferred from such Trust Funds
22 under this paragraph so that the amount of such sums which
23 is transferred from each such Trust Fund under this para-
24 graph shall bear the same ratio to the total amount trans-
25 ferred from all such Trust Funds under this paragraph as the

1 amount expended from such Trust Fund during the fiscal
2 year ending September 30, 1982, bears to the total amount
3 expended from all such Trust Funds during such fiscal year.

4 (c)(1) The Panel shall undertake, as soon as possible
5 after the date of the enactment of this Act, a thorough study
6 with respect to the feasibility and implementation of remov-
7 ing the Social Security Administration from the Department
8 of Health and Human Services and establishing it as an inde-
9 pendent agency in the executive branch with its own inde-
10 pendent administrative structure, including the possibility of
11 such a structure headed by a board appointed by the Presi-
12 dent, by and with the advice and consent of the Senate.

13 (2) The Panel in its study under paragraph (1) shall ad-
14 dress, analyze, and report specifically on the following mat-
15 ters:

16 (A) the effect of the organizational status of the
17 Social Security Administration on beneficiaries under
18 the Social Security Act and the general public;

19 (B) the legal and other relationships of the Social
20 Security Administration with other organizations,
21 within and outside the Federal Government, and the
22 changes in such relationships which would be required
23 as a result of establishing the Social Security Adminis-
24 tration as an independent agency;

1 (C) any changes which may be necessary or ap-
2 propriate, in the course of establishing the Social Secu-
3 rity Administration as an independent agency, in the
4 constitution of the Boards of Trustees of the four social
5 security trust funds; and

6 (D) such other matters as the Panel may consider
7 relevant to the study.

8 (d) The Panel shall submit to the Committee on Ways
9 and Means of the House of Representatives and the Commit-
10 tee on Finance of the Senate, not later than April 1, 1984, a
11 report of the findings of the study conducted under subsection
12 (c), together with any recommendations the Panel considers
13 appropriate. The Panel and all authority granted in this sec-
14 tion shall expire thirty days after the date of the filing of its
15 report under this section.

16 CONFORMING CHANGES IN MEDICARE PREMIUM PROVI-
17 SIONS TO REFLECT CHANGES IN COST-OF-LIVING
18 BENEFIT ADJUSTMENTS

19 SEC. 340. (a) Section 1818(d)(2) of the Social Security
20 Act is amended—

21 (1) by striking out “during the last calendar quar-
22 ter of each year, beginning in 1973,” in the first sen-
23 tence and inserting in lieu thereof “during the next to
24 last calendar quarter of each year”;

1 (2) by striking out “the 12-month period com-
2 mencing July 1 of the next year” in the first sentence
3 and inserting in lieu thereof “the following calendar
4 year”; and

5 (3) by striking out “for such next year” in the
6 second sentence and inserting in lieu thereof “for that
7 following calendar year”.

8 (b)(1) Section 1839(c) of such Act is amended—

9 (A) by striking out “December of 1972 and of
10 each year thereafter” in paragraphs (1), (3), and (4)
11 and inserting in lieu thereof “September of each year”;

12 (B) by striking out “for the 12-month period com-
13 mencing July 1 in the succeeding year” in paragraphs
14 (1), (3), and (4) and inserting in lieu thereof “for
15 months in the following calendar year”;

16 (C) by striking out “such 12-month period” each
17 place it appears in paragraphs (1) and (4) and inserting
18 in lieu thereof “such calendar year”;

19 (D) by striking out “that 12-month period” in
20 paragraph (3)(A) and inserting in lieu thereof “that cal-
21 endar year”;

22 (E) by striking out “May 1 of the year” in para-
23 graph (3)(B) and inserting in lieu thereof “November 1
24 of the year before the year”; and

(F) by striking out “following May” in paragraph (3)(B) and inserting in lieu thereof “following November”.

(2) Section 1839(g) of such Act is amended—

(A) by striking out “June 1983” in paragraph (1) and inserting in lieu thereof “December 1983”, and

(B) by striking out “July 1985” and inserting in lieu thereof “January 1986” each place it appears.

(d) The amendments made by this section shall apply to premiums for months beginning with January 1984, and for months after June 1983 and before January 1984—

(1) the monthly premiums under part A and under part B of title XVIII of the Social Security Act for individuals enrolled under each respective part shall be the monthly premium under that part for the month of June 1983, and

(2) the amount of the Government contributions under section 1844(a)(1) of such Act shall be computed on the basis of the actuarially adequate rate which would have been in effect under part B of title XVIII of such Act for such months without regard to the amendments made by this section, but using the amount of the premium in effect for the month of June 1983.

1 **TITLE IV—SUPPLEMENTAL SECURITY INCOME**
2 **BENEFITS**

3 **INCREASE IN FEDERAL SSI BENEFIT STANDARD**

4 **SEC. 401.** (a) Section 1617 of the Social Security Act is
5 amended by adding at the end thereof the following new sub-
6 section:

7 “(c) Effective July 1, 1983—

8 “(1) each of the dollar amounts in effect under
9 subsections (a)(1)(A) and (b)(1) of section 1611, as pre-
10 viously increased under this section, shall be increased
11 by \$20 (and the dollar amount in effect under subsec-
12 tion (a)(1)(A) of Public Law 93-66, as previously so in-
13 creased, shall be increased by \$10); and

14 “(2) each of the dollar amounts in effect under
15 subsections (a)(2)(A) and (b)(2) of section 1611, as pre-
16 viously increased under this section, shall be increased
17 by \$30.”.

18 (b) Section 1617(b) of such Act is amended by striking
19 out “this section” and inserting in lieu thereof “subsection (a)
20 of this section”.

21 **ADJUSTMENTS IN FEDERAL SSI PASS-THROUGH**

22 **PROVISIONS**

23 **SEC. 402.** Section 1618 of the Social Security Act is
24 amended by adding at the end thereof the following new sub-
25 section:

1 “(d)(1) For any particular month after March 1983, a
2 State which is not treated as meeting the requirements im-
3 posed by paragraph (4) of subsection (a) by reason of subsec-
4 tion (b) shall be treated as meeting such requirements if and
5 only if—

6 “(A) the combined level of its supplementary pay-
7 ments (to recipients of the type involved) and the
8 amounts payable (to or on behalf of such recipients)
9 under section 1611(b) of this Act and section
10 211(a)(1)(A) of Public Law 93-66, for that particular
11 month,
12 is not less than—

13 “(B) the combined level of its supplementary pay-
14 ments (to recipients of the type involved) and the
15 amounts payable (to or on behalf of such recipients)
16 under section 1611(b) of this Act and section
17 211(a)(1)(A) of Public Law 93-66, for March 1983, in-
18 creased by the amount of all cost-of-living adjustments
19 under section 1617 (and any other benefit increases
20 under this title) which have occurred after March 1983
21 and before that particular month.

22 “(2) In determining the amount of any increase in the
23 combined level involved under paragraph (1)(B) of this sub-
24 section, any portion of such amount which would otherwise
25 be attributable to the increase under section 1617(c) shall be

1 deemed instead to be equal to the amount of the cost-of-living
2 adjustment which would have occurred in July 1983 (without
3 regard to the 3-percent limitation contained in section
4 215(i)(1)(B)) if section 111 of the Social Security Act Amend-
5 ments of 1983 had not been enacted.”.

6 SSI ELIGIBILITY FOR TEMPORARY RESIDENTS OF
7 EMERGENCY SHELTERS FOR THE HOMELESS

8 SEC. 403. (a) Section 1611(e)(1) of the Social Security
9 Act is amended—

10 (1) by striking out “subparagraph (B) and (C)” in
11 subparagraph (A) and inserting in lieu thereof “sub-
12 paragraphs (B), (C), and (D)”;

13 (2) by adding at the end thereof the following new
14 subparagraph:

15 “(D) A person may be an eligible individual or eligible
16 spouse for purposes of this title with respect to any month
17 throughout which he is a resident of a public emergency shel-
18 ter for the homeless (as defined in regulations which shall be
19 prescribed by the Secretary); except that no person shall be
20 an eligible individual or eligible spouse by reason of this sub-
21 paragraph more than three months in any 12-month period.”.

22 (b) The amendments made by subsection (a) shall be ef-
23 fective with respect to months after the month in which this
24 Act is enacted.

1 DISREGARDING OF EMERGENCY AND OTHER IN-KIND

2 ASSISTANCE PROVIDED BY NONPROFIT ORGANIZATIONS

3 SEC. 404. (a) Section 1612(b)(13) of the Social Security
4 Act is amended by striking out “any assistance received” and
5 all that follows down through “(B)” and inserting in lieu
6 thereof the following: “any support or maintenance assist-
7 ance furnished to or on behalf of such individual (and spouse
8 if any) which (as determined under regulations of the Secre-
9 tary by such State agency as the chief executive officer of the
10 State may designate) is based on need for such support or
11 maintenance, including assistance received to assist in meet-
12 ing the costs of home energy (including both heating and
13 cooling), and which”.

14 (b) Section 402(a)(36) of such Act is amended by strik-
15 ing out “shall not include as income” and all that follows
16 down through “(B)” and inserting in lieu thereof the follow-
17 ing: “shall not include as income any support or maintenance
18 assistance furnished to or on behalf of the family which (as
19 determined under regulations of the Secretary by such State
20 agency as the chief executive officer of the State may desig-
21 nate) is based on need for such support and maintenance,
22 including assistance received to assist in meeting the costs of
23 home energy (including both heating and cooling), and
24 which”.

1 (c) The amendments made by this section shall be effective with respect to months which begin after the month in which this Act is enacted and end before October 1, 1984.

4 **TITLE V—UNEMPLOYMENT COMPENSATION**

5 **PROVISIONS**

6 **PART A—FEDERAL SUPPLEMENTAL COMPENSATION**

7 **SEC. 501. EXTENSION OF PROGRAM.**

8 Paragraph (2) of section 602(f) of the Federal Supplemental Compensation Act of 1982 is amended by striking out “March 31, 1983” and inserting in lieu thereof “September 30, 1983”.

12 **SEC. 502. NUMBER OF WEEKS FOR WHICH COMPENSATION**
13 **PAYABLE.**

14 (a) **GENERAL RULE.**—Subsection (e) of section 602 of the Federal Supplemental Compensation Act of 1982 is amended by redesignating paragraph (3) as paragraph (4) and by striking out paragraph (2) and inserting in lieu thereof the following new paragraphs:

19 “(2)(A) In the case of any account from which Federal supplemental compensation was first payable to an individual for a week beginning after March 31, 1983, the amount established in such account shall be equal to the lesser of—

23 “(i) 65 per centum of the total amount of regular compensation (including dependents’ allowances) payable to the individual with respect to the benefit year

(as determined under the State law) on the basis of which he most recently received regular compensation, or

“(ii) the applicable limit determined under the following table times his average weekly benefit amount for his benefit year.

“In the case of weeks during a:	The applicable limit is:
6-percent period	14
5-percent period	13
4.5-percent period	11
3.5-percent period	10
Low-unemployment period.....	8

“(B) In the case of any account from which Federal supplemental compensation was payable to an individual for a week beginning before April 1, 1983, the amount established in such account shall be equal to the lesser of the subparagraph (A) entitlement or the sum of—

“(i) the subparagraph (A) entitlement reduced (but not below zero) by the aggregate amount of Federal supplemental compensation paid to such individual for weeks beginning before April 1, 1983, plus

“(ii) such individual’s additional entitlement.

“(C) For purposes of subparagraph (B) and this subparagraph—

“(i) The term ‘subparagraph (A) entitlement’ means the amount which would have been established in the account if subparagraph (A) had applied to such account.

1 “(ii) The term ‘additional entitlement’ means the
2 lesser of—

3 “(I) three-fourths of the subparagraph (A)
4 entitlement, or

5 “(II) the applicable limit determined under
6 the following table times the individual’s average
7 weekly benefit amount for his benefit year.

“In the case of weeks during a:	The applicable limit is:
6-percent period	10
5-percent period	8
4.5-percent period	8
3.5-percent period	6
Low-employment period	6

8 “(D) Except as provided in subparagraph (B)(i), for pur-
9 poses of determining the amount of Federal supplemental
10 compensation payable for weeks beginning after March 31,
11 1983, from an account described in subparagraph (B), no re-
12 duction in such account shall be made by reason of any Fed-
13 eral supplemental compensation paid to the individual for
14 weeks beginning before April 1, 1983.

15 “(3)(A) For purposes of this subsection, the terms ‘6
16 percent period’, ‘5 percent period’, ‘4.5 percent period’, ‘3.5
17 percent period’ and ‘low-unemployment period’ mean, with
18 respect to any State, the period which—

19 “(i) begins with the 3d week after the 1st week in
20 which the rate of insured unemployment in the State
21 for the period consisting of such week and the immedi-

1 ately preceding 12 weeks falls in the applicable range,
2 and

3 “(ii) ends with the 3d week after the 1st week in
4 which the rate of insured unemployment for the period
5 consisting of such week and the immediately preceding
6 12 weeks does not fall within the applicable range.

7 “(B) For purposes of subparagraph (A), the applicable
8 range is as follows:

“In the case of a:	The applicable range is:
6-percent period.....	A rate equal to or exceeding 6 percent
5-percent period.....	A rate equal to or exceeding 5 percent but less than 6 percent
4.5-percent period.....	A rate equal to or exceeding 4.5 per- cent but less than 5 percent
3.5 percent period.....	A rate equal to or exceeding 3.5 per- cent but less than 4.5 percent
Low-employment period.....	A rate less than 3.5 percent

9 “(C) No 6-percent period, 5-percent period, 4.5-percent
10 period, or 3.5-percent period, as the case may be, shall last
11 for a period of less than 4 weeks unless the State enters a
12 period with a higher percentage designation.

13 “(D) For purposes of this subsection—

14 “(i) The rate of insured unemployment for any
15 period shall be determined in the same manner as de-
16 termined for purposes of section 203 of the Federal-
17 State Extended Unemployment Compensation Act of
18 1970.

19 “(ii) The amount of an individual’s average
20 weekly benefit amount shall be determined in the same

1 manner as determined for purposes of section
2 202(b)(1)(C) of such Act.”

3 (b) TECHNICAL AMENDMENT.—Paragraph (3) of sec-
4 tion 602(d) of the Federal Supplemental Compensation Act of
5 1982 (as amended by section 544(d) of the Highway Revenue
6 Act of 1982) is amended by striking out “subsection
7 (e)(2)(A)(ii)” and inserting in lieu thereof “subparagraph
8 (A)(ii) or (C)(ii)(II) of subsection (e)(2)”.

9 SEC. 503. COORDINATION WITH TRADE READJUSTMENT PRO-
10 GRAM.

11 Subsection (e) of section 602 of the Federal Supplemen-
12 tal Compensation Act of 1982 is amended by adding at the
13 end thereof the following new paragraph:

14 “(5)(A) Except as provided in subparagraph (B), the
15 maximum amount of Federal supplemental compensation
16 payable to an individual shall not be reduced by reason of any
17 trade readjustment allowances to which the individual was
18 entitled under the Trade Act of 1974.

19 “(B) If an individual received any trade readjustment
20 allowance under the Trade Act of 1974 in respect of any
21 benefit year, the maximum amount of Federal supplemental
22 compensation payable under this subtitle in respect of such
23 benefit year shall be reduced (but not below zero) so that (to
24 the extent possible by making such a reduction) the aggre-
25 gate amount of—

1 “(i) regular compensation,
2 “(ii) extended compensation,
3 “(iii) trade readjustment allowances, and
4 “(iv) Federal supplemental compensation,
5 payable in respect of such benefit year does not exceed the
6 aggregate amount which would have been so payable had the
7 individual not been entitled to any trade readjustment allow-
8 ance.”

9 SEC. 504. EFFECTIVE DATE.

10 (a) GENERAL RULE.—The amendments made by this
11 part shall apply to weeks beginning after March 31, 1983.

12 (b) TREATMENT OF INDIVIDUALS WHO EXHAUSTED
13 BENEFITS.—In the case of any eligible individual—

14 (1) to whom any Federal supplemental compensa-
15 tion was payable for any week beginning before April
16 1, 1983, and

17 (2) who exhausted his rights to such compensation
18 (by reason of the payment of all the amount in his Fed-
19 eral supplemental compensation account) before the
20 first week beginning after March 31, 1983,

21 such individual's eligibility for additional weeks of compensa-
22 tion by reason of the amendments made by this part shall not
23 be limited or terminated by reason of any event, or failure to
24 meet any requirement of law relating to eligibility for unem-
25 ployment compensation, occurring after the date of such ex-

1 haustion of rights and before April 1, 1983 (and the period
2 after such exhaustion and before April 1, 1983, shall not be
3 counted for purposes of determining the expiration of the two
4 years following the end of his benefit year for purposes of
5 section 602(b) of the Federal Supplemental Compensation
6 Act of 1982).

7 (c) MODIFICATION OF AGREEMENTS.—The Secretary
8 of Labor shall, at the earliest practicable date after the date
9 of the enactment of this Act, propose to each State with
10 which he has in effect an agreement under section 602 of the
11 Federal Supplemental Compensation Act of 1982 a modifica-
12 tion of such agreement designed to provide for the payment
13 of Federal supplemental compensation under such Act in ac-
14 cordance with the amendments made by this part. Notwith-
15 standing any other provision of law, if any State fails or re-
16 fuses, within the 3-week period beginning on the date the
17 Secretary of Labor proposed such a modification to such
18 State, to enter into such a modification of such agreement,
19 the Secretary of Labor shall terminate such agreement effec-
20 tive with the end of the last week which ends on or before
21 such 3-week period.

1 PART B—MISCELLANEOUS PROVISIONS

2 SEC. 511. VOLUNTARY HEALTH INSURANCE PROGRAMS PER-
3 MITTED.

4 (a) AMENDMENT OF INTERNAL REVENUE CODE OF
5 1954.—Paragraph (4) of section 3304(a) of the Internal Rev-
6 enue Code of 1954 (relating to requirements for approval of
7 State unemployment compensation laws) is amended by strik-
8 ing out “and” at the end of subparagraph (A), by adding
9 “and” at the end of subparagraph (B), and by adding after
10 subparagraph (B) the following new subparagraph:

11 “(C) nothing in this paragraph shall be con-
12 strued to prohibit deducting an amount from un-
13 employment compensation otherwise payable to
14 an individual and using the amount so deducted to
15 pay for health insurance if the individual elected
16 to have such deduction made and such deduction
17 was made under a program approved by the Sec-
18 retary of Labor;”.

19 (b) AMENDMENT OF SOCIAL SECURITY ACT.—Para-
20 graph (5) of section 303(a) of the Social Security Act is
21 amended by striking out “; and” at the end thereof and in-
22 serting in lieu thereof “: *Provided further*, That nothing in
23 this paragraph shall be construed to prohibit deducting an
24 amount from unemployment compensation otherwise payable
25 to an individual and using the amount so deducted to pay for

1 health insurance if the individual elected to have such deduc-
2 tion made and such deduction was made under a program
3 approved by the Secretary of Labor; and”.

4 (c) EFFECTIVE DATE.—The amendments made by this
5 section shall take effect on the date of the enactment of this
6 Act.

7 SEC. 512. TREATMENT OF CERTAIN ORGANIZATIONS RETRO-
8 ACTIVELY DETERMINED TO BE DESCRIBED IN
9 SECTION 501(c)(3) OF THE INTERNAL REVENUE
10 CODE OF 1954.

11 If—

12 (1) an organization did not make an election to
13 make payments (in lieu of contributions) as provided in
14 section 3309(a)(2) of the Internal Revenue Code of
15 1954 before April 1, 1972, because such organization,
16 as of such date, was treated as an organization de-
17 scribed in section 501(c)(4) of such Code,

18 (2) the Internal Revenue Service subsequently de-
19 termined that such organization was described in sec-
20 tion 501(c)(3) of such Code, and

21 (3) such organization made such an election before
22 the earlier of—

23 (A) the date 18 months after such election
24 was first available to it under the State law, or

25 (B) January 1, 1984,

1 then section 3303(f) of such Code shall be applied with re-
2 spect to such organization as if it did not contain the require-
3 ment that the election be made before April 1, 1972, and by
4 substituting “January 1, 1982” for “January 1, 1969”.

5 TITLE VI—PROSPECTIVE PAYMENTS FOR
6 MEDICARE INPATIENT HOSPITAL SERVICES

7 MEDICARE PAYMENTS FOR INPATIENT HOSPITAL
8 SERVICES ON THE BASIS OF PROSPECTIVE RATES

9 SEC. 601. (a)(1) Subsection (a)(1) of section 1886 of the
10 Social Security Act is amended by adding at the end the
11 following new subparagraph:

12 “(D) Subparagraph (A) shall not apply to cost reporting
13 periods beginning on or after October 1, 1985.”.

14 (2) Subsection (a)(4) of such section is amended by
15 adding at the end the following new sentence: “Such term
16 does not include capital-related costs and costs of approved
17 educational activities, as defined by the Secretary.”.

18 (b) Subsection (b) of such section is amended—

19 (1) by striking out “Notwithstanding sections
20 1814(b), but subject to the provisions of sections” in
21 paragraph (1) and inserting in lieu thereof “Notwith-
22 standing section 1814(b) but subject to the provisions
23 of section”;

24 (2) by inserting “(other than a subsection (d) hos-
25 pital, as defined in subsection (d)(1)(B))” in the matter

1 before subparagraph (A) of paragraph (1) after “of a
2 hospital”;

3 (3) by inserting, in the matter in paragraph (1)
4 following subparagraph (B), “(other than on the basis
5 of a DRG prospective payment rate determined under
6 subsection (d))” after “payable under this title”;

7 (4) by striking out paragraph (2);

8 (5) by inserting “and subsection (d) and except as
9 provided in subsection (e)” in paragraph (3)(B) after
10 “subparagraph (A)”;

11 (6) by inserting “or fiscal year” after “cost re-
12 porting period” each place it appears in paragraph
13 (3)(B);

14 (7) by inserting “before the beginning of the
15 period or year” in paragraph (3)(B) after “estimated by
16 the Secretary”; and

17 (8) by striking out “exceeds” in paragraph (3)(B)
18 and inserting in lieu thereof “will exceed”.

19 (c)(1) Subsection (c)(1) of such section is amended—

20 (A) by striking out “and” at the end of subpara-
21 graph (B),

22 (B) by striking out the period at the end of sub-
23 paragraph (C) and inserting in lieu thereof “; and”,
24 and

25 (C) by adding at the end the following:

“(D) the Secretary determines that the system will not preclude an eligible organization (as defined in section 1876(b)) from negotiating directly with hospitals with respect to the organization’s rate of payment for inpatient hospital services.

The Secretary cannot deny the application of a State under this subsection on the ground that the State’s hospital reimbursement control system is based on a payment methodology other than on the basis of a diagnosis-related group or on the ground that the amount of payments made under this title under such system must be less than the amount of payments which would otherwise have been made under this title not using such system. If the Secretary provides that the assurances described in subparagraph (C) are based on maintaining payment amounts at no more than a specified percentage increase above the payment amounts in a base period, the State has the option of applying such test (for inpatient hospital services under part A) on an aggregate payment basis or on the basis of the amount of payment per inpatient discharge or admission. If the Secretary provides that the assurances described in subparagraph (C) are based on maintaining aggregate payment amounts below a national average percentage increase in total payments under part A for inpatient hospital services, the Secretary cannot deny the application of a State under this subsection on the ground that the

1 State's rate of increase in such payments for such services
2 must be less than such national average rate of increase.”;

3 (2) Subsection (c)(3) of such section is amended—

4 (A) by striking out “requirement of paragraph
5 (1)(A)” and inserting in lieu thereof “requirements of
6 subparagraphs (A) and (D) of paragraph (1) and, if ap-
7 plicable, the requirements of paragraph (5),”, and

8 (B) by inserting “(or, if applicable, in paragraph
9 (5))” in subparagraph (B) after “paragraph (1)”.

10 (3) Subsection (c) of such section is further amended by
11 adding at the end the following new paragraphs:

12 “(4) The Secretary shall approve the request of a State
13 under paragraph (1) with respect to a hospital reimbursement
14 control system if—

15 “(A) the requirements of subparagraphs (A), (B),
16 (C), and (D) of paragraph (1) have been met with re-
17 spect to the system, and

18 “(B) with respect to that system a waiver of cer-
19 tain requirements of title XVIII of the Social Security
20 Act has been approved on or before (and which is in
21 effect as of) the date of the enactment of the Social Se-
22 curity Act Amendments of 1983, pursuant to section
23 402(a) of the Social Security Amendments of 1967 or
24 section 222(a) of the Social Security Amendments of
25 1972.

1 “(5) The Secretary shall approve the request of a State
2 under paragraph (1) with respect to a hospital reimbursement
3 control system if—

4 “(A) the requirements of subparagraphs (A), (B),
5 (C), and (D) of paragraph (1) have been met with re-
6 spect to the system;

7 “(B) the Secretary determines that the system—

8 “(i) is operated directly by the State or by an
9 entity designated pursuant to State law,

10 “(ii) provides for payment of hospitals cov-
11 ered under the system under a methodology
12 (which sets forth exceptions and adjustments, as
13 well as any method for changes in the methodolo-
14 gy) by which rates or amounts to be paid for hos-
15 pital services during a specified period are estab-
16 lished under the system prior to the defined rate
17 period, and

18 “(iii) hospitals covered under the system will
19 make such reports (in lieu of cost and other re-
20 ports, identified by the Secretary, otherwise re-
21 quired under this title) as the Secretary may re-
22 quire in order to properly monitor assurances pro-
23 vided under this subsection;

24 “(C) the State has provided the Secretary with
25 satisfactory assurances that operation of the system

1 will not result in any change in hospital admission
2 practices which result in—

3 “(i) a significant reduction in the proportion
4 of patients (receiving hospital services covered
5 under the system) who have no third-party cover-
6 age and who are unable to pay for hospital serv-
7 ices,

8 “(ii) a significant reduction in the proportion
9 of individuals admitted to hospitals for inpatient
10 hospital services for which payment is (or is likely
11 to be) less than the anticipated charges for or
12 costs of such services,

13 “(iii) the refusal to admit patients who would
14 be expected to require unusually costly or pro-
15 longed treatment for reasons other than those re-
16 lated to the appropriateness of the care available
17 at the hospital, or

18 “(iv) the refusal to provide emergency serv-
19 ices to any person who is in need of emergency
20 services if the hospital provides such services;

21 “(D) any change by the State in the system which
22 has the effect of materially reducing payments to hos-
23 pitals can only take effect upon 60 days notice to the
24 Secretary and to the hospitals the payment to which is
25 likely to be materially affected by the change; and

1 “(E) the State has provided the Secretary with
2 satisfactory assurances that in the development of the
3 system the State has consulted with local government-
4 tal officials concerning the impact of the system on
5 public hospitals.

6 The Secretary shall respond to requests of States under this
7 paragraph within 60 days of the date the request is submitted
8 to the Secretary.”.

9 (d) Subsection (d) of such section, as added by section
10 110 of the Tax Equity and Fiscal Responsibility Act of 1982,
11 is amended—

12 (1) by striking out “section 1814(b)” in paragraph
13 (2)(A) and inserting in lieu thereof “subsection (b)”,
14 and

15 (2) by redesignating the subsection as subsection
16 (j) and transferring and inserting such subsection at the
17 end of section 1814 of the Social Security Act under
18 the following heading:

19 “Elimination of Lesser-of-Cost-or-Charges Provision”.

20 (e) Such section 1886 is further amended by adding at
21 the end the following new subsections:

22 “(d)(1)(A) Notwithstanding section 1814(b) but subject
23 to the provisions of section 1813, the amount of the payment
24 with respect to the operating costs of inpatient hospital serv-
25 ices (as defined in subsection (a)(4)) of a subsection (d) hospi-

1 tal (as defined in subparagraph (B)) for inpatient hospital dis-
2 charges in a cost reporting period or in a fiscal year—

3 “(i) beginning on or after October 1, 1983, and
4 before October 1, 1986, is equal to the sum of—

5 “(I) the target percentage (as defined in sub-
6 paragraph (C)) of the lesser of the hospital’s
7 target amount for the cost reporting period (as de-
8 fined in subsection (b)(3)(A)), or the limitation es-
9 tablished under subsection (a) (determined without
10 regard to paragraph (2) thereof) for the period,
11 and

12 “(II) the DRG percentage (as defined in sub-
13 paragraph (C)) of the adjusted DRG prospective
14 payment rate determined under paragraph (2) or
15 (3) for such discharges; or

16 “(ii) beginning on or after October 1, 1986, is
17 equal to the adjusted DRG prospective payment rate
18 determined under paragraph (3) for such discharges.

19 “(B) As used in this section, the term ‘subsection (d)
20 hospital’ means a hospital located in one of the fifty States or
21 the District of Columbia other than—

22 “(i) a psychiatric hospital (as defined in section
23 1861(f)),

24 “(ii) a rehabilitation hospital (as defined by the
25 Secretary),

1 “(iii) a hospital whose inpatients are predominant-
2 ly individuals under 18 years of age, or

3 “(iv) a hospital which has an average inpatient
4 length of stay (as determined by the Secretary) of
5 greater than 25 days;

6 and, upon request of a hospital and in accordance with regu-
7 lations of the Secretary, does not include a psychiatric or
8 rehabilitation unit of the hospital which is a distinct part of
9 the hospital (as defined by the Secretary).

10 “(C) For purposes of this subsection, for cost reporting
11 periods beginning, or discharges occurring—

12 “(i) on or after October 1, 1983, and before Octo-
13 ber 1, 1984, the ‘target percentage’ is 75 percent and
14 the ‘DRG percentage’ is 25 percent;

15 “(ii) on or after October 1, 1984, and before Oc-
16 tober 1, 1985, the ‘target percentage’ is 50 percent
17 and the ‘DRG percentage’ is 50 percent; and

18 “(iii) on or after October 1, 1985, and before Oc-
19 tober 1, 1986, the ‘target percentage’ is 25 percent
20 and the ‘DRG percentage’ is 75 percent.

21 “(2) The Secretary shall determine an adjusted DRG
22 prospective payment rate, for each inpatient hospital dis-
23 charge in fiscal year 1984 involving inpatient hospital serv-
24 ices of a subsection (d) hospital (located in an urban or rural

1 area within a census division) for which payment may be
2 made under part A of this title, as follows:

3 “(A) DETERMINING ALLOWABLE INDIVIDUAL
4 HOSPITAL COSTS FOR BASE PERIOD.—The Secretary
5 shall determine the allowable operating costs of inpa-
6 tient hospital services for the hospital for the most
7 recent cost reporting period for which data are availa-
8 ble.

9 “(B) UPDATING FOR FISCAL YEAR 1984.—The
10 Secretary shall update each amount determined under
11 subparagraph (A) for fiscal year 1984 by—

12 “(i) updating for fiscal year 1983 by the esti-
13 mated average rate of change of hospital costs in-
14 dustry-wide between the cost reporting period
15 used under such subparagraph and fiscal year
16 1983, and

17 “(ii) projecting for fiscal year 1984 by the
18 applicable percentage increase (as defined in sub-
19 section (b)(3)(B)) for fiscal year 1984.

20 “(C) STANDARDIZING AMOUNTS.—The Secretary
21 shall standardize the amount updated under subpara-
22 graph (B) for each hospital by—

23 “(i) excluding an estimate of indirect medical
24 education costs,

“(ii) adjusting for variations among hospitals by area in the average hospital wage level, and

“(iii) adjusting for variations in case mix among hospitals.

“(D) COMPUTING URBAN AND RURAL AVERAGES IN EACH CENSUS DIVISION.—The Secretary shall compute an average of the standardized amounts determined under subparagraph (C) for each census division—

“(i) for all subsection (d) hospitals located in an urban area in that division, and

“(ii) for all subsection (d) hospitals located in a rural area in that division.

For purposes of this subsection, the term ‘census division’ means one of the nine divisions, comprising the fifty States and the District of Columbia, established by the Bureau of the Census for statistical and reporting purposes; the term ‘urban area’ means an area within a Standard Metropolitan Statistical Area (as defined by the Office of Management and Budget) or within such similar area as the Secretary has recognized under subsection (a) by regulation in effect as of January 1, 1983; and the term ‘rural area’ means any area outside such an area or similar area.

1 “(E) REDUCING FOR VALUE OF OUTLIER PAY-
2 MENTS.—The Secretary shall reduce each of the aver-
3 age standardized amounts determined under subpara-
4 graph (D) by a proportion equal to the proportion (esti-
5 mated by the Secretary) of the amount of payments
6 under this subsection based on DRG prospective pay-
7 ment rates which are additional payments described in
8 paragraph (5)(A) (relating to outlier payments).

9 “(F) MAINTAINING BUDGET NEUTRALITY.—The
10 Secretary shall adjust each of such average standard-
11 ized amounts as may be required under subsection
12 (e)(1)(B) for that fiscal year.

13 “(G) COMPUTING DRG-SPECIFIC RATES FOR
14 URBAN AND RURAL HOSPITALS IN EACH CENSUS DI-
15 VISION.—For each discharge classified within a diag-
16 nosis-related group, the Secretary shall establish a
17 DRG prospective payment rate which is equal—

18 “(i) for hospitals located in an urban area in
19 a census division, to the product of—

20 “(I) the average standardized amount
21 (computed under subparagraph (D), reduced
22 under subparagraph (E), and adjusted under
23 subparagraph (F)) for hospitals located in an
24 urban area in that division, and

“(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group; and

“(ii) for hospitals located in a rural area in a census division, to the product of—

“(I) the average standardized amount (computed under subparagraph (D), reduced under subparagraph (E), and adjusted under subparagraph (F)) for hospitals located in a rural area in that division, and

“(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group.

“(H) ADJUSTING FOR DIFFERENT AREA WAGE LEVELS.—The Secretary shall adjust the proportion (as estimated by the Secretary from time to time) of hospitals’ costs which are attributable to wages and wage-related costs, of the DRG prospective payment rates computed under subparagraph (G) for area differences in hospital wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the hospital compared to the national average hospital wage level.

“(3) The Secretary shall determine an adjusted DRG prospective payment rate, for each inpatient hospital dis-

1 charge in a fiscal year after fiscal year 1984 involving inpa-
2 tient hospital services of a subsection (d) hospital for which
3 payment may be made under part A of this title, as follows:

4 “(A) UPDATING PREVIOUS STANDARDIZED
5 AMOUNTS.—The Secretary shall compute an average
6 standardized amount—

7 “(i) for fiscal years 1985, 1986, and 1987,
8 for hospitals located in a urban area within each
9 census division and for hospitals located in a rural
10 area within each census division, and

11 “(ii) for subsequent fiscal years, for hospitals
12 located in an urban area and for hospitals located
13 in a rural area,

14 equal to the respective average standardized amount
15 (or, for fiscal year 1988, the weighted average of the
16 respective average standardized amounts) computed for
17 the previous fiscal year under paragraph (2)(D) or
18 under this subparagraph, increased by the applicable
19 percentage increase under subsection (b)(3)(B) for that
20 particular fiscal year.

21 “(B) REDUCING FOR VALUE OF OUTLIER PAY-
22 MENTS.—The Secretary shall reduce each of the aver-
23 age standardized amounts determined under subpara-
24 graph (A) by a proportion equal to the proportion (esti-
25 mated by the Secretary) of the amount of payments

1 under this subsection based on DRG prospective pay-
2 ment amounts which are additional payments described
3 in paragraph (5)(A) (relating to outlier payments).

4 “(C) MAINTAINING BUDGET NEUTRALITY.—The
5 Secretary shall adjust each of such average standard-
6 ized amounts as may be required under subsection
7 (e)(1)(B) for that fiscal year.

8 “(D) COMPUTING DRG-SPECIFIC RATES FOR
9 URBAN AND RURAL HOSPITALS.—For each discharge
10 classified within a diagnosis-related group, the Secre-
11 tary shall establish a DRG prospective payment rate
12 for the fiscal year which is equal—

13 “(i) for hospitals located in an urban area
14 (and, if applicable, in a census division), to the
15 product of—

16 “(I) the average standardized amount
17 (computed under subparagraph (A), reduced
18 under subparagraph (B), and adjusted under
19 subparagraph (C)) for the fiscal year for hos-
20 pitals located in an urban area (and, if appli-
21 cable, in that division), and

22 “(II) the weighting factor (determined
23 under paragraph (4)(B)) for that diagnosis-re-
24 lated group; and

1 “(ii) for hospitals located in a rural area
2 (and, if applicable, in a census division), to the
3 product of—

4 “(I) the average standardized amount
5 (computed under subparagraph (A), reduced
6 under subparagraph (B), and adjusted under
7 subparagraph (C)) for the fiscal year for hos-
8 pitals located in a rural area (and, if applica-
9 ble, in that division), and

10 “(II) the weighting factor (determined
11 under paragraph (4)(B)) for that diagnosis-re-
12 lated group.

13 “(E) ADJUSTING FOR DIFFERENT AREA WAGE
14 LEVELS.—The Secretary shall adjust the proportion,
15 (as estimated by the Secretary from time to time) of
16 hospitals’ costs which are attributable to wages and
17 wage-related costs, of the DRG prospective payment
18 rates computed under subparagraph (D) for area differ-
19 ences in hospital wage levels by a factor (established
20 by the Secretary) reflecting the relative hospital wage
21 level in the geographic area of the hospital compared
22 to the national average hospital wage level.

23 “(4)(A) The Secretary shall establish (and may from
24 time to time make changes in) a classification of inpatient
25 hospital discharges by diagnosis-related groups and a meth-

1 odology for classifying specific hospital discharges within
2 these groups.

3 “(B) For each such diagnosis-related group the Secre-
4 tary shall assign (and may from time to time recompute) an
5 appropriate weighting factor which reflects the relative hos-
6 pital resources used with respect to discharges classified
7 within that group compared to discharges classified within
8 other groups.

9 “(5)(A)(i) The Secretary shall provide for an additional
10 payment amount (as determined by the Secretary) for a sub-
11 section (d) hospital for any discharge in a diagnosis-related
12 group the length of stay of which exceeds by 30 or more days
13 the mean length of stay of discharges within that group.

14 “(ii) The Secretary shall provide for an additional pay-
15 ment amount (as determined by the Secretary) for a subsec-
16 tion (d) hospital for any discharge in a diagnosis-related
17 group—

18 “(I) the length of stay of which exceeds by a
19 period (which may vary by diagnosis-related group) of
20 less than 30 days the mean length of stay for dis-
21 charges within that group or

22 “(II) which reflects extraordinarily or unusually
23 expensive costs relative to discharges classified within
24 that group,

1 so that the total of the additional payments made under this
2 subparagraph for discharges in a fiscal year is not less than 4
3 percent of the total payments made based on DRG prospec-
4 tive payment rates for discharges in that year.

5 “(B) The Secretary shall provide for an additional pay-
6 ment amount for subsection (d) hospitals with indirect costs of
7 medical education, in an amount computed in the same
8 manner as the adjustment for such costs under regulations (in
9 effect as of January 1, 1983) under subsection (a)(2), except
10 that in the computation under this subparagraph the Secre-
11 tary shall use an educational adjustment factor equal to twice
12 the factor provided under such regulations.

13 “(C)(i) The Secretary shall provide for such exceptions
14 and adjustments to the payment amounts established under
15 this subsection as the Secretary deems appropriate to take
16 into account the special needs of public or other hospitals that
17 serve a significantly disproportionate number of patients who
18 have low income or are entitled to benefits under part A of
19 this title.

20 “(ii) The Secretary may provide (on a general, class, or
21 individual basis) for exceptions and adjustments to the pay-
22 ment amounts established under this subsection to take into
23 account the special needs of sole community hospitals. For
24 purposes of this section the term ‘sole community hospital’
25 means a hospital that, by reason of factors such as isolated

1 location or absence of other hospitals (as determined by the
2 Secretary), is the sole source of inpatient hospital services
3 reasonably available to individuals in a geographical area
4 who are entitled to benefits under part A.

5 “(iii) The Secretary shall provide by regulation for such
6 other exceptions and adjustments to such payment amounts
7 as the Secretary deems appropriate (including exceptions and
8 adjustments that may be appropriate with respect to public
9 and teaching hospitals and with respect to hospitals involved
10 extensively in treatment for and research on cancer).

11 “(iv) The Secretary may provide for such adjustments to
12 the payment amounts as the Secretary deems appropriate to
13 take into account the unique circumstances of hospitals locat-
14 ed in Alaska and Hawaii.

15 “(D)(i) The Secretary shall estimate for each fiscal year
16 the amount of reimbursement made for services described in
17 section 1862(a)(14) with respect to which payment was made
18 under part B in the base reporting periods referred to in para-
19 graph (2)(A) and with respect to which payment is no longer
20 being made in the fiscal year.

21 “(ii) The Secretary shall provide for an additional pay-
22 ment for subsection (d) hospitals in each fiscal year so as
23 appropriately to reflect the net amount described in clause (i)
24 for that fiscal year.

1 “(E) This paragraph shall apply only to subsection (d)
2 hospitals that receive payments in amounts computed under
3 this subsection.

4 “(6) The Secretary shall provide for publication in the
5 Federal Register, on or before the September 1 before each
6 fiscal year (beginning with fiscal year 1984), of a description
7 of the methodology and data used in computing the adjusted
8 DRG prospective payment rates under this subsection, in-
9 cluding any adjustments required under subsection (e)(1)(B).

10 “(7) There shall be no administrative or judicial review
11 under section 1878 or otherwise of—

12 “(A) the determination of the requirement, or the
13 proportional amount, of any adjustment effected pursu-
14 ant to subsection (e)(1), and

15 “(B) the establishment of diagnosis-related groups,
16 of the methodology for the classification of discharges
17 within such groups, and of the appropriate weighting
18 factors thereof under paragraph (4).

19 “(e)(1)(A) For cost reporting periods of hospitals begin-
20 ning in fiscal year 1984 or fiscal year 1985, the Secretary
21 shall provide for such proportional adjustment in the applica-
22 ble percentage increase (otherwise applicable to the periods
23 under subsection (b)(3)(B)) as may be necessary to assure
24 that—

1 “(i) the aggregate payment amounts otherwise
2 provided under subsection (d)(1)(A)(i)(I) for that fiscal
3 year for operating costs of inpatient hospital services of
4 hospitals,

5 are not greater or less than—

6 “(ii) the target percentage (as defined in subsec-
7 tion (d)(1)(C)) of the payment amounts which would
8 have been payable for such services for those same
9 hospitals for that fiscal year under this section under
10 the law as in effect before the date of the enactment of
11 the Social Security Act Amendments of 1983;

12 except that the adjustment made under this subparagraph
13 shall apply only to subsection (d) hospitals and shall not apply
14 for purposes of making computations under subsection
15 (d)(2)(B)(ii) or subsection (d)(3)(A).

16 “(B) For discharges occurring in fiscal year 1984 or
17 fiscal year 1985, the Secretary shall provide under subsec-
18 tions (d)(2)(F) and (d)(3)(C) for such equal proportional adjust-
19 ment in each of the average standardized amounts otherwise
20 computed for that fiscal year as may be necessary to assure
21 that—

22 “(i) the aggregate payment amounts otherwise
23 provided under subsection (d)(1)(A)(i)(II) for that fiscal
24 year for operating costs of inpatient hospital services of
25 hospitals,

1 are not greater or less than—

2 “(ii) the DRG percentage (as defined in subsection
3 (d)(1)(C)) of the payment amounts which would have
4 been payable for such services for those same hospitals
5 for that fiscal year under this section under the law as
6 in effect before the date of the enactment of the Social
7 Security Act Amendments of 1983.

8 “(2) The Secretary shall provide for appointment of a
9 panel of independent experts (hereinafter in this subsection
10 referred to as the ‘panel’) to review the applicable percentage
11 increase factor described in subsection (b)(3)(B) and make
12 recommendations to the Secretary on the appropriate per-
13 centage increase which should be effected for hospital inpa-
14 tient discharges under subsections (b) and (d) for fiscal years
15 beginning with fiscal year 1986. In making its recommenda-
16 tions, the panel shall take into account changes in the hospi-
17 tal market-basket described in subsection (b)(3)(B), hospital
18 productivity, technological and scientific advances, the qual-
19 ity of health care provided in hospitals, and long-term cost-
20 effectiveness in the provision of inpatient hospital services.

21 “(3) The panel, not later than the May 1 before the
22 beginning of each fiscal year (beginning with fiscal year
23 1986), shall report its recommendations to the Secretary on
24 an appropriate increase factor which should be used (instead
25 of the applicable percentage increase described in subsection

1 (b)(3)(B)) for inpatient hospital services for discharges in that
2 fiscal year.

3 “(4) Taking into consideration the recommendations of
4 the panel, the Secretary shall determine for each fiscal year
5 (beginning with fiscal year 1986) the percentage increase
6 which will apply for purposes of this section as the applicable
7 percentage increase (otherwise described in subsection
8 (b)(3)(B)) for discharges in that fiscal year.

9 “(5) The Secretary shall cause to have published in the
10 Federal Register, not later than—

11 “(A) the June 1 before each fiscal year (beginning
12 with fiscal year 1986), the Secretary’s proposed deter-
13 mination under paragraph (4) for that fiscal year, and

14 “(B) the September 1 before such fiscal year, the
15 Secretary’s final determination under such paragraph
16 for that year.

17 The Secretary shall include in the publication referred to in
18 subparagraph (A) for a fiscal year the report of the panel’s
19 recommendations submitted under paragraph (3) for that
20 fiscal year.

21 “(6) The Secretary shall maintain, for a period ending
22 not earlier than September 30, 1988, a system for the report-
23 ing of costs of hospitals receiving payments computed under
24 subsection (d).

1 “(f)(1) The Secretary shall establish a system for moni-
2 toring admissions and discharges of hospitals receiving pay-
3 ment in amounts determined under subsection (b) or subsec-
4 tion (d) of this section. Such system shall use fiscal interme-
5 diaries, utilization and quality control peer review organiza-
6 tions with contracts under part B of title XI, and others to
7 review hospital admission and discharge practices and the
8 quality of inpatient hospital services provided for which pay-
9 ment may be made under part A of this title.

10 “(2) If the Secretary determines that a hospital, in order
11 to circumvent the payment method established under subsec-
12 tion (b) or (d) of this section, has taken an action that results
13 in the admission of individuals entitled to benefits under part
14 A unnecessarily, unnecessary multiple admissions of the same
15 such individuals, or other inappropriate medical or other
16 practices with respect to such individuals, the Secretary
17 may—

18 “(A) deny payment (in whole or in part) under
19 part A with respect to inpatient hospital services pro-
20 vided with respect to such an unnecessary admission
21 (or subsequent admission of the same individual), or

22 “(B) require the hospital to take other corrective
23 action necessary to prevent or correct the inappropriate
24 practice.

1 “(3) The provisions of paragraphs (2), (3), and (4) of
2 section 1862(d) shall apply to determinations under para-
3 graph (2) of this subsection in the same manner as they apply
4 to determinations made under section 1862(d)(1).

5 “(g)(1) No payment may be made under this title for
6 capital-related costs of capital expenditures (as defined in sec-
7 tion 1122(g)) for inpatient hospital services in a State, which
8 expenditures occurred after the end of the three-year period
9 beginning on the date of the enactment of this subsection,
10 unless the State has an agreement with the Secretary under
11 section 1122(b) and, under the agreement, the State has rec-
12 ommended approval of the capital expenditures.

13 “(2) The Secretary shall provide that the amount which
14 is allowable, with respect to costs of inpatient hospital serv-
15 ices for which payment may be made under this title, for a
16 return on equity capital for subsection (d) hospitals (as de-
17 fined in subsection (d)(1)(B)) shall, for cost reporting periods
18 beginning on or after October 1, 1983, and before October 1,
19 1986, be equal to the target percentage (as defined in subsec-
20 tion (d)(1)(C)) of the amounts otherwise allowable under regu-
21 lations in effect on March 1, 1983. For cost reporting periods
22 beginning on or after October 1, 1986, the Secretary shall
23 not provide for any such return on equity capital for such
24 hospitals.”.

CONFORMING AMENDMENTS

SEC. 602. (a) Section 1153(b)(2) of the Social Security Act is amended by adding at the end the following new subparagraph:

“(C) The twelve-month period referred to in subparagraph (A) shall be deemed to begin not later than October 1983.”.

(b) Sections 1814(g) and 1835(e) of the Social Security Act are each amended by inserting “(or would be if section 1886 did not apply)” after “section 1861(v)(1)(D)”.

(c) Section 1814(h)(2) of such Act is amended by striking out “the reasonable costs for such services” and inserting in lieu thereof “the amount that would be payable for such services under subsection (b) and section 1886”.

(d)(1) The matter in section 1861(v)(1)(G)(i) of such Act following subclause (III) is amended by striking out “on the basis of the reasonable cost of” and inserting in lieu thereof “the amount otherwise payable under part A with respect to”.

(2) Section 1861(v)(2)(A) of such Act is amended by striking out “an amount equal to the reasonable cost of” and inserting in lieu thereof “the amount that would be taken into account with respect to”.

(3) Section 1861(v)(2)(B) of such Act is amended by striking out “the equivalent of the reasonable cost of”.

1 (4) Section 1861(v)(3) of such Act is amended by strik-
2 ing out “the reasonable cost of such bed and board furnished
3 in semi-private accommodations (determined pursuant to
4 paragraph (1))” and inserting in lieu thereof “the amount
5 otherwise payable under this title for such bed and board fur-
6 nished in semi-private accommodations”.

7 (e) Section 1862(a) of such Act is amended—

8 (1) by striking out “or” at the end of paragraph
9 (12),

10 (2) by striking out the period at the end of para-
11 graph (13) and inserting in lieu thereof “; or”, and

12 (3) by adding at the end the following new para-
13 graph:

14 “(14) which are other than physicians’ services
15 and which are furnished to an individual who is an in-
16 patient of a hospital by an entity other than the hospi-
17 tal, unless the services are furnished under arrange-
18 ments (as defined in section 1861(w)(1)) with the entity
19 made by the hospital.”.

20 (f)(1) Section 1866(a)(1) of such Act is amended—

21 (A) by striking out “and” at the end of subpara-
22 graph (D),

23 (B) by striking out the period at the end of sub-
24 paragraph (E), and

1 (C) by adding at the end the following new sub-
2 paragraphs:

3 “(F) in the case of hospitals which provide inpa-
4 tient hospital services for which payment may be made
5 under subsection (c) or (d) of section 1886, to maintain
6 an agreement with a utilization and quality control
7 peer review organization (which has a contract with
8 the Secretary under part B of title XI) under which
9 the organization will perform functions under that part
10 with respect to the review of admissions, discharges,
11 and quality of care respecting inpatient hospital serv-
12 ices for which payment may be made under part A of
13 this title,

14 “(G) in the case of hospitals which provide inpa-
15 tient hospital services for which payment may be made
16 under subsection (b) or (d) of section 1886, not to
17 charge any individual or any other person for inpatient
18 hospital services for which such individual would be
19 entitled to have payment made under part A but for a
20 denial or reduction of payments under section 1886(f),
21 and

22 “(H) in the case of hospitals which provide inpa-
23 tient hospital services for which payment may be made
24 under section 1886(d), to have all items and services
25 (other than physicians’ services) (i) that are furnished

1 to an individual who is an inpatient of the hospital, and
2 (ii) for which the individual is entitled to have payment
3 made under this title, furnished by the hospital or oth-
4 erwise under arrangements (as defined in section
5 1861(w)(1)) made by the hospital.”.

6 (2) The matter in section 1866(a)(2)(B)(ii) of such Act
7 preceding subclause (I) is amended by inserting “and except
8 with respect to inpatient hospital costs with respect to which
9 amounts are payable under section 1886(d)” after “(except
10 with respect to emergency services”.

11 (g) Section 1876(g) of such Act is amended by adding at
12 the end the following:

13 “(4) A risk-sharing contract under this subsection may,
14 at the option of an eligible organization, provide that the Sec-
15 retary—

16 “(A) will reimburse hospitals either for the rea-
17 sonable cost (as determined under section 1861(v)) or
18 for payment amounts determined in accordance with
19 section 1886, as applicable, of inpatient hospital serv-
20 ices furnished to individuals enrolled with such organi-
21 zation pursuant to subsection (d), and

22 “(B) will deduct the amount of such reimburse-
23 ment for payment which would otherwise be made to
24 such organization.”.

25 (h)(1) Section 1878(a) of such Act is amended—

1 (A) by inserting “and (except as provided in sub-
2 section (g)(2)) any hospital which receives payments in
3 amounts computed under section 1886(d) and which
4 has submitted such reports within such time as the
5 Secretary may require in order to make payment under
6 such section may obtain a hearing with respect to such
7 payment by the Board” after “subsection (h)” in the
8 matter before paragraph (1),

9 (B) by inserting “(i)” after “(A)” in paragraph
10 (1)(A),

11 (C) by inserting “or” at the end of paragraph
12 (1)(A) and by adding after such paragraph the follow-
13 ing new clause:

14 “(ii) is dissatisfied with a final determination
15 of the Secretary as to the amount of the payment
16 under section 1886(d),”, and

17 (D) by striking out “(1)(A)” in paragraph (3) and
18 inserting in lieu thereof “(1)(A)(i), or with respect to
19 appeals under paragraph (1)(A)(ii), 180 days after
20 notice of the Secretary’s final determination,”.

21 (2) Section 1878(g) of such Act is amended by inserting
22 “(1)” after “(g)” and by adding at the end the following new
23 paragraph:

24 “(2) The determinations and other decisions described in
25 section 1886(d)(7) shall not be reviewed by the Board or by

1 any court pursuant to an action brought under subsection (f)
2 or otherwise.”.

3 (3) The third sentence of section 1878(h) of such Act is
4 amended striking out “cost reimbursement” and inserting in
5 lieu thereof “payment of providers of services”.

6 (i) The first sentence of section 1881(b)(2)(A) of such
7 Act is amended by inserting “or section 1886 (if applicable)”
8 after “section 1861(v)”.

9 (j) Section 1887(a)(1)(B) of such Act is amended by in-
10 serting “or on the bases described in section 1886” after “on
11 a reasonable cost basis”.

12 REPORTS, EXPERIMENTS AND DEMONSTRATION PROJECTS,
13 AND INTENT OF CONGRESS RESPECTING TREATMENT
14 OF NEW CAPITAL EXPENDITURES

15 SEC. 603. (a)(1) The Secretary of Health and Human
16 Services (hereinafter in this title referred to as the “Secre-
17 tary”) shall study and report to the Congress at the end of
18 1983 on—

19 (A) the method by which capital-related costs as-
20 sociated with inpatient hospital services can be includ-
21 ed within the prospective payment amounts computed
22 under section 1886(d) of the Social Security Act,

23 (B) payment with respect to a return on equity
24 capital for hospitals receiving payments under such
25 section, and

1 (C) the impact on skilled nursing facilities of hos-
2 pital prospective payment systems, and recommenda-
3 tions concerning payment of skilled nursing facilities.

4 (2)(A) The Secretary shall study and report annually to
5 the Congress at the end of each year (beginning with 1984
6 and ending with 1987) on the actual impact, of the payment
7 methodology under section 1886(d) of the Social Security Act
8 during the previous year, on individual hospitals, classes of
9 hospitals, beneficiaries, and other payors for inpatient hospi-
10 tal services, and, in particular, on the impact of computing
11 averages by census division, rather than on a national aver-
12 age basis. Each such report shall include such recommenda-
13 tions for such changes in legislation as the Secretary deems
14 appropriate. The Comptroller General shall review and com-
15 ment on the adequacy of each of the reports with respect to
16 their analysis of the impact of the payment methodology
17 under section 1886(d) of the Social Security Act.

18 (B) During fiscal year 1984, the Secretary shall begin
19 the collection of data necessary to compute the amount of
20 physician charges attributable, by diagnosis-related groups,
21 to physicians' services furnished to inpatients of hospitals
22 whose discharges are classified within those groups. The Sec-
23 retary shall include, in annual report to Congress under sub-
24 paragraph (A) for 1984, recommendations on the advisability
25 and feasibility of providing for determining the amount of the

1 payments for physicians' services furnished to hospital inpa-
2 tients based on the DRG classification of the discharges of
3 those inpatients.

4 (C) In the annual report to Congress under subpara-
5 graph (A) for 1985, the Secretary shall include the results of
6 studies on—

7 (i) the feasibility and impact of eliminating or
8 phasing out separate urban and rural DRG prospective
9 payment rates under paragraph (3) of section 1886(d)
10 of the Social Security Act;

11 (ii) whether and the method under which hospi-
12 tals, not paid based on amounts determined under such
13 section, can be paid for inpatient hospital services on a
14 prospective basis as under such section;

15 (iii) the appropriateness of the factors used under
16 paragraph (5)(A) of such section to compensate hospi-
17 tals for the additional expenses of outlier cases;

18 (iv) the feasibility and desirability of applying the
19 payment methodology under such section to payment
20 by all payors for inpatient hospital services; and

21 (v) the impact of such section on hospital admis-
22 sions and the feasibility of making a change in the
23 DRG prospective payment rates or requiring preadmis-
24 sion certification in order to minimize the incentive to
25 increase admissions.

1 (D) In the annual report to Congress under subpara-
2 graph (A) for 1986, the Secretary shall include the results of
3 a study examining the overall impact of State systems of hos-
4 pital payment (either approved under section 1886(c) of the
5 Social Security Act or under a waiver approved under sec-
6 tion 402(a) of the Social Security Amendments of 1967 or
7 section 222(a) of the Social Security Amendments of 1972),
8 particularly assessing such systems' impact not only on the
9 medicare program but also on the medicaid program, on pay-
10 ments and premiums under private health insurance plans,
11 and on tax expenditures.

12 (b)(1) Except as provided in paragraph (2), the amend-
13 ments made by this title shall not affect the authority of the
14 Secretary to develop, carry out, or continue experiments and
15 demonstration projects.

16 (2) The Secretary shall provide that, upon the request of
17 a State which has a demonstration project, for payment of
18 hospitals under title XVIII of the Social Security Act ap-
19 proved under section 402(a) of the Social Security Amend-
20 ments of 1967 or section 222(a) of the Social Security
21 Amendments of 1972, which (A) is in effect as of March 1,
22 1983, and (B) was entered into after August 1982, the terms
23 of the demonstration agreement shall be modified so that the
24 demonstration project is not required to maintain the rate of

1 increase in medicare hospital costs in that State below the
2 national rate of increase in medicare hospital costs.

3 (c) It is the intent of Congress that, in implementing a
4 system for including capital-related costs under a prospec-
5 tively determined payment rate for inpatient hospital serv-
6 ices, costs related to capital projects initiated on or after
7 March 1, 1983, may be distinguished and treated differently
8 from costs of projects initiated before such date.

9 EFFECTIVE DATES

10 SEC. 604. (a)(1) Except as provided in paragraph (2),
11 the amendments made by this title apply to items and serv-
12 ices furnished by or under arrangements with a hospital be-
13 ginning with its first cost reporting period that begins on or
14 after October 1, 1983. A change in a hospital's cost reporting
15 period that has been made after November 1982 shall be
16 recognized for purposes of this section only if the Secretary
17 finds good cause for that change.

18 (2)(A) Section 1866(a)(1)(F) of the Social Security Act
19 (as added by section 602(f)(1)(C) of this title) takes effect on
20 October 1, 1984, and section 1862(a)(14) (as added by sec-
21 tion 602(e)(3) of this title) and sections 1886(a)(1) (G) and (H)
22 of such Act (as added by section 602(f)(1)(C) of this title) take
23 effect on October 1, 1983.

24 (B) The Secretary may provide that, during the period
25 ending October 1, 1986, the provisions of sections

1 1862(a)(14) and 1866(a)(1)(H) of the Social Security Act
2 shall not apply to services furnished in hospitals that can
3 demonstrate that their billing practice prior to October 1,
4 1982, was to bill for such services independent of the hospital
5 payment.

6 (b) The Secretary shall make an appropriate reduction
7 in the payment amount under section 1886(d) of the Social
8 Security Act (as amended by this title) for any discharge, if
9 the admission has occurred before a hospital's first cost re-
10 porting period that begins after September 1983, to take into
11 account amounts payable under title XVIII of that Act (as in
12 effect before the date of the enactment of this Act) for items
13 and services furnished before that period.

14 (c)(1) The Secretary shall cause to be published in the
15 Federal Register a notice of the interim final DRG prospec-
16 tive payment rates established under subsection (d) of section
17 1886 of the Social Security Act (as amended by this title) no
18 later than September 1, 1983, and allow for a period of
19 public comment thereon. The DRG prospective payment
20 rates shall become effective on October 1, 1983, without the
21 necessity for consideration of comments received, but the
22 Secretary shall, by notice published in the Federal Register,
23 affirm or modify the amounts by December 31, 1983, after
24 considering those comments.

1 (2) A modification under paragraph (1) that reduces a
2 DRG prospective payment rate shall apply only to discharges
3 occurring after 30 days after the date the notice of the modi-
4 fication is published in the Federal Register.

5 (3) Rules to implement subsection (d) of section 1886 of
6 the Social Security Act (as so amended) shall, and excep-
7 tions, adjustments, or additional payment amounts under
8 paragraph (5) of such subsection may, be established in ac-
9 cordance with the procedure described in this subsection.

Passed the House of Representatives March 9, 1983.

Attest:

BENJAMIN J. GUTHRIE,

Clerk.

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Calendar No. 42

98TH CONGRESS
1ST Session**H. R. 1900****AN ACT**

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

MARCH 14 (legislative day, MARCH 7), 1983

Received; placed on the calendar